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EDITORIAL

As We See It

If both of the major political parties are complaining about public apathy before the fall campaign has come to a close it certainly would not be strange. There are of course, always certain local conditions and local candidates likely to liven things up here and there across the country, but as to broad national issues and basic choices on national or international questions, there appears to be a remarkable lack of them this year. The recession at one time seemed likely to supply the Democratic party with ammunition of a sort, but business is on the upgrade again and unemployment is declining. The matter of Russian advances in science and technology gave promise for a while—albeit without much logical basis—but with our visible progress to date in space exploration that issue, too, seems to have lost much of its potency. The case of Sherman Adams, whatever its merits, hardly seems enough to nourish a full blown political campaign.

The so-called moderates in the Democratic party were in fairly effective control of Congress this year and they apparently held about the same views as the Administration on certain vital questions and cooperated with the President in keeping the course of legislation largely free of the more extreme programs frequently advocated as means of bringing the recession to an end. In any event the general policy of the Administration was, and has been from the first, so much like the New Deal that it does not lie in the mouths of "modern" republicans to have very

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An Optimistic View of the Stock Market Outlook

By EDMUND W. TABELL*

Director of Institutional Research
Walston & Co., Inc., New York City

New York market analyst optimistically advises trepidatory investors who wait and worry that they may well find themselves left at the post. Mr. Tabell analyzes major doubtful arguments advanced about the short run outlook, answers the question whether present 540 D-J has discounted these arguments, and states there are no technical deterioration-signs nor lack of cash awaiting a technical correction. In 1200 issues studied, finds majority are forming broad accumulation areas indicating higher levels between now and early 1960s. Recommends investors not try to mastermind the market but to examine the outlook for individual issues.

The present stock market is best summarized by the title of a recent magazine article, "The Stock Market—Is It Too High?—Is It Going Higher?—Or Both?" For the near term, the best answer is probably a little bit of both.


Edmund W. Tabell

It is very true that the market appears statistically high at the present time and could very well decline somewhat from present levels, although there are no signs of technical vulnerability. Over the longer-term, however, it is possible to be much more definite. When compared with the price level which will exist in five to ten years, today's market will appear low indeed.

Despite what I feel is a clearly optimistic long-term outlook, the present level of security prices creates a number of doubts in the minds of investors. These doubts are probably stimulated by variations of the

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*An address by Mr. Tabell before the New York University Men in Finance Club, New York City, Oct. 9, 1958.

A Non-Optimistic View of Stock Market Outlook

By JAMES F. HUGHES*

Research Director,
Auchincloss, Parker & Redpath, New York City

Mr. Hughes raises serious doubts regarding the market's ability to keep 1953-1958 bull market going for another five years on the basis — despite SEC's mandate — of "sudden and unreasonable fluctuations in the price of securities" in the past few years. Market researcher finds recovery of the average to new highs is due primarily to abnormal scattering of major highs for important leading stocks, and calls attention to unexpected results of financial reforms, and the "vulnerable stilt formation" (Alcoa, for example) supporting many high quality issues going along with the average. Names several groups that appear to be at the climax rather than at the start of a new boom.

An important psychological factor currently influencing the stock market is the general acceptance of the viewpoint that although stocks may be high now they will be very much higher five years from now. Accordingly there is no reason to worry about any reaction that may take place within the next few months. While some reaction is generally conceded as probable, from a longer-range investment viewpoint there is nothing to worry about because the market will again recover, carrying the average to new highs as it has during the past 12 months from the October 1957 lows.


James F. Hughes

This opinion, according to the recent article in "Life" on "The People's Stock Market," is held by many of the current generation of young businessmen making up part of the 500,000 new customers on annual average that have been getting into

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*An address by Mr. Hughes before the New York University Men in Finance Club, New York City, Oct. 9, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Zenith Radio Corporation—Alan D. Whitney, Investment Adviser, Winnetka, Ill. (Page 2).

Holophane Company—Peter B. B. Andrews, Fairlawn, N. J. (Page 2).

ALAN D. WHITNEY
Investment Adviser
Winnetka, Ill.

Zenith Radio Corporation

This company, whose stock has been making new all-time highs almost daily, has many unique features. Its sales and earnings are currently well above the same period in 1957, and that year was the best in its history for earnings and was exceeded slightly for sales only in 1953. Financial position is strong, with no capital obligation other than common stock. Cash resources are more than double current liabilities, and current ratio is about 3½ to 1.

Alan D. Whitney

The company was established in 1915 by R. H. G. Mathews of Chicago, as Chicago Radio Laboratory. It went into abeyance during 1917-19 while Mathews was in service in World War I, when he met Karl E. Hassel of Sharpsville, Pa., while both were at Great Lakes Naval Training Station. In 1919, they re-established Chicago Radio as a partnership, and were joined in the venture by former Lieut. Commander E. F. McDonald, of Syracuse, N. Y., in 1920. The headquarters and main plant of the company are still in Chicago, the name of the business having been changed to the present one upon incorporation in July, 1923.

Products include radios, TV sets, radio-phonograph combinations, hearing aids and replacement parts for all of same. The company owns exclusive patents on automatic tuning for TV sets by remote control and issues licenses to others to manufacture same. It was introduced in June, 1956. In 1936, the company acquired Wincharger, Corp. of Sioux City, Iowa, which still makes wind-driven electric machinery there for small power generators for farms and other small users. In 1948, it acquired all manufacturing rights of Farnsworth Corp., relating to making TV receivers, radios and record-changers. That same year, it also bought Rauland Corp., a manufacturer of cathode ray tubes for TV pictures. Rauland still operates a separate plant in Chicago.

In February, 1952, the company applied to FCC to establish "phonovision" for "pay-as-you-see" TV. No decision has yet been forthcoming, although in October, 1957, FCC finally granted permission to test the process over the next three years, in a few designated areas. The method was developed by Zenith in 1947, when it was first publicly demonstrated in Chicago. But it has been vigorously fought ever since by the three big networks, NBC, CBS, and ABC. In January, 1958, Congressional hearings on the subject were begun.

On Sept. 13, 1957, the company won an agreement with RCA, GE and Western Electric in settlement of its long-pending patent and anti-trust suit against them. The amount to be paid by the three former defendants is $10,000,000, payable $1,000,000 a year for ten years, beginning Oct. 1, 1957. The company also won in the agreement some licenses to manufacture certain products from each of the above named companies.

On Aug. 8, 1958, the company announced that a new amplifier tube to extend the effective range of radar, had been developed. Not long before that, it announced a self-recharging battery, from sunlight, for certain of its hearing aids (while being worn by the user.) Also recently introduced is a new behind-the-ear model which uses only a wired tube to conduct sound to the earmold.

Annual sales have increased from $20 million in 1940 to $160 million in 1957, at an almost steady rate. Earnings per present share have increased in the same period from 37 cents to $8.29, with one deficit of 17 cents in 1946. Since 1949, earnings have not been less than $5 per present share of stock, which was split 2-for-1 in mid-1958.

This unique company, in so competitive a field, seems destined for even better things to come. The loss by death, last May, of its long-time chief officer, E. F. McDonald, should not have an adverse effect. One of its co-founders, Karl E. Hassel, is still an active officer and director, while Hugh Robertson, successor to Mr. McDonald, has been with the company since 1923.

PETER B. B. ANDREWS
Fairlawn, N. J.

Holophane Company

Here is a security which I like best and which at present has its light hidden under a bushel basket. It is the Holophane Company, listed on the American Stock Exchange. The company is a beneficiary from school-building, hospital-building and road-building through providing lighting for these fields. In a study of the 1959 economy, it is evident that these three fields are certain to expand substantially, and thus furnish the base for a considerable rise in Holophane Company's earnings.

Peter B. B. Andrews

The Holophane Company is in a strategic position to capitalize on this increased business, since it began operation of a new, one-and-a-half-acre-site plant this spring for the production of plastic prismatic light controlling products. This plant will particularly help the earnings to be shown for the second half of 1958 and first quarter of 1959, which will compare with a period before the increased facilities were in operation.

Earnings growth record of the Holophane Company is strong. Net income expanded steadily from $658,462 in 1953 to $1,723,947 in 1957, and net income per share as follows:: 1953, $1.74; 1954, $2.02; 1955, $2.86; 1956, $3.46; 1957, $4.56. The Company reports for fiscal years ended June 30, so that the report for the fiscal year ended June 30, 1958, was not as strong, inasmuch as it encompassed the entire recession, including the latter part of 1957 and the early part of 1958. Since then, however, earnings have taken a sharp turn for the better—helped by business recovery and the operation of the new plant, which opened at the end of March, 1958. Even so, considering the fact that the company operated during the fiscal year ended June 30, 1958, throughout the entire recession, the net income per share of $3.56 is most creditable. Under the much more favorable situation and prospects now existing, however, net income for the present fiscal year is estimated at a new high in the $5.70 to $6 per share range. The stock now sells in the 40s.

Financial condition is very strong. At the end of Holophane Company's fiscal year, June 30, 1958, current assets totaled $4,472,000 and current liabilities were $1,272,000. Cash and equivalent alone totaled $2,972,000. The company has no funded debt, and has long since retired its preferred stock. The dividend record over the years is excellent. Stock now is on a $2 annual basis, but in view of strong finances and rising current and prospective earnings, a substantial dividend increase, plus extras, lies ahead.

A stock split also is in prospect for Holophane stock. The company twice in the past has split its stock two-for-one when it has been selling around current levels in the 40s. Two two-for-one split would bring the shares outstanding from 377,768 to close to 800,000, and more than a million shares would be outstanding on a three-for-one split, which would greatly improve marketability of the stock.

Holophane stock is an outstanding buy, on the basis of its progressive management, its fine engineering center, good earnings and finances, and prospects of increased dividends and stock split.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Sixth Annual Dinner Dance of the Investment Traders Association of Philadelphia will be held on Saturday evening, Nov. 8, 1958 at the Philadelphia Cricket Club.

Speculation, Treasury Financing And Bond Decline

By AUBREY G. LANSTON*
President, Aubrey G. Lanston & Co., New York City

Head of government bond house bearing his own name: (1) distinguishes speculation from gambling in defending recently criticized activities of professional speculators; (2) disagrees with Secy. Anderson's appeal to nonbanking financial institutions; (3) points out speculators bailed-out the Government and that they were deliberately and openly invited to do so; and (4) opposes regulation of margin purchases by non-dealers. In explaining what brought about the bond market reversal, and how speculation tends to be self-correcting, Mr. Lanston obliquely criticizes some newspaper accounts, and blames Government improvidence and its lack of regard for the small saver for existing dollar-distrust. He cannot see how the non-banking financial firms can save Government from its own folly

My remarks will cover three subjects. Speculation is one. The spotlight thrown on the Government security market increasingly over the past year recently has emphasized the activities of **speculators** and, in so doing, may have created some wrong impressions—even in the Treasury. Besides, **speculation** is an integral and an essential characteristic of the functioning of any market, particularly one in which breadth, depth and resiliency are sought.

Aubrey G. Lanston

Treasury financing operations over the past 15 months is the second subject. I plan to demonstrate that (1) the Treasury invited **speculators** to underwrite its offerings of securities with a term past one year and (2) without a good dose of **speculation** the Treasury would not have been able to sell the $26½ billion of securities with a term longer than one year that it sold during the 11 months ending last June.

In the course of dealing with recent Treasury financing, I will deal with the recent unsuccessful play of the **speculators** and the disappointing results of what we might call professional **speculation**, in general.

Finally, I shall refer briefly to the real causes of the recent drastic decline in Government security prices.

The day-to-day happenings in the Treasury security market for the past year and a half or so have increasingly interested newspaper and other writers. This is not surprising. The decline in bond prices that began in February 1957 and which carried through to October 1957 was one of the sharpest, if not the sharpest on record—up to that time. It proceeded to increasingly embarrass the Treasury. Much was written about the extent of the price declines and the Treasury's dilemma.

The subsequent rise in prices that began in October 1957 and continued until April 1958 likewise was just about the biggest thing of its kind to happen to Government security prices in this country. It dumbfounded many astute observers and, as they became increasingly unable to reconcile their expectancies with current events, they sought the rationalization of blaming **speculators.** This aspect seemed to particularly intrigue the press and other writers.

Speculation Is Not Gambling

When the decline in Government security prices began last April, few realized that this was only the beginning of another, unprecedented downward movement. The Treasury, its advisers and most other people were shocked as the extent of the movement unfolded. A lot of people had to begin to engage in rationalization once again. This time, certain unusual aspects made it easy to blame the **speculators.**

Most people associate the word **speculator** with **gambler.** Therefore, it is not unusual to associate the quick profit sought by a **speculator** with the winnings of gambling. To many, all such "winnings" are immoral. Besides, what is more succulent to the average person than a speculator who got burnt? So, this aspect of recent market developments was played to the hilt while other more fundamental reasons were underplayed, or overlooked, by those who were writing the story for the general public.

I would like to ask a question. Most of you manage investment portfolios. Some of these portfolios may include stocks as well as bonds. And, in the case of bankers, the assets you manage will include loans as well as bonds, plus a very substantial amount of various types of government securities. Do you gentlemen consider that you engage in **speculation** in the handling of these assets?

Before you answer the question, to yourself, let me offer for your consideration some of the definitions that are to be found in Webster's Unabridged Dictionary

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*An address by Mr. Lanston before the 15th Annual Correspondent Bank Meeting of The First Pennsylvania Banking & Trust Company, Philadelphia, Pa., Oct. 7, 1958.

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Regular Features

*See page 4 for Mr. May's first on-the-spot report of the World Bank and Fund Meetings in India.

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Jefferson Lake Sulphur Company

By DR. IRA U. COBLEIGH
Enterprise Economist

Containing some observations on this 30-year old company which has substantially broadened its horizons of profitability.

Of the minerals of major industrial importance, probably sulphur would rank among those most inelastic in its demand. New entrants into production in recent years, particularly Mexican ones, have expanded the supply and caused a dip of around 20% in the basic per ton price of $30 prevailing two years or so ago. Efficient sulphur production over any long period of time has, however, proven exceedingly profitable. Broadening industrial demand, present stability of price, and the bringing in of new production in Canada (with great saving in transportation cost to West Coast markets) provide a current background for confidence in the sulphur industry.


Ira U. Cobleigh

Because sulphur is not a direct consumer item such as cigarettes, soft drinks or motor cars and is not advertised over TV like Geritol, few realize how important sulphur is in our daily lives. The Egyptians, thousands of years before Moses made his bulrush landing, used sulphur as a cosmetic and for the vivid paints that adorned their temples. Ask most people about sulphur and the only product using it they will mention is matches. True, matches and fireworks require sulphur, but far more important is its use (mainly in the form of sulphuric acid) in the manufacture of steel, paper, fertilizer, detergents, chemicals, plastics, vitamins and rubber.

But enough of this documentary about what a boon sulphur is to mankind. We were going to talk today about a particular producer, to wit, Jefferson Lake Sulphur Company. It is the third largest producer in the United States with average 1955/57 production of 465,000 long tons.) Texas Gulf Sulphur ranks number one, with average production, for the same period, of 3,200,000 long tons; and Freeport Sulphur, second in rank with 2,220,000 long tons.) Practically all of this sulphur was produced along the Coast of the Gulf of Mexico by the so-called Frash process whereby the sulphur is extracted from geological formations called "domes," and driven to the surface by hot water under pressure. A new and most promising production technique has been perfected, however, which extracts sulphur from "sour" natural gas. This is a highly important development which we'll enlarge upon later.

Jefferson Lake has done quite well in sulphur but it has also diversified in an interesting way. It has been researching a new "Rotosorber" process for extracting gasoline from natural gas. It did considerable research on the production of cresylic acid and sodium sulphide from wastes of petroleum plants, which led to the creation of Merichem Co., now a wholly owned subsidiary which should gross around $2 million, with pretax profits in the order of 10% this year. A promising potential exists for expanding use of cresylic acid for plastics and as an additive to gasoline.

Jefferson Lake Sulphur is also a substantial oil producer. It has properties in Texas, Louisiana and Oklahoma — 44 wells altogether with reserves 12/31/57 estimated at 2.3 million barrels of oil and 11½ billion c.f. of gas. Drilling participations during 1958 is 15 wells are reported to have increased these reserve figures substantially.

Probably the brightest development on the horizon at Jefferson Lake is its new Canadian subsidiary (69% owned) called Jefferson Lake Petrochemicals of Canada Ltd. This consolidates under one corporate roof earlier operations in three areas—Peace River (in Alberta and British Columbia), East Calgary and Savanna River in Alberta. The operations of this company is efficient, logical and profitable. Jeff of Canada produces sulphur from sour gas and sells the residue for pipeline use. The gas is run through a gas extraction plant separating the hydrogen sulphide from the residual volatile pipeline gas. The hydrogen sulphide is then chemically converted into sulphur, in an adjoining plant. A plant is already in operation at Peace River with a capacity of 300 tons per day, drawing its raw material from natural gas purchased from Pacific Petroleums and from West Coast Transmission Co.; and another plant of identical capacity is to be built at East Calgary, with gas supplied from a sizable field owned jointly by Socony-Mobil and Jeff of Canada.

The Peace River operations began in November of 1957 and were slow getting under way until the railroad line to the plant was completed this summer. The plant is an exceedingly efficient one with an actual production cost of somewhere below $5 a ton. Adding heavy depreciation, sales and shipping costs, the total cost figure runs in the neighborhood of $12.50 per ton against present plant selling price of $23.50.

The attractive features about Jeff of Canada include a huge supply of the raw material, natural gas, readily available, a rising Pacific Coast demand for sulphur, and a present arrangement with West Coast Transmission for gas delivery of 50 to 100 thousand M.C.F. per day over a 20 year period.

About reserves, it is really too early for accurate determination of the total potential. In the Calgary field, some 80,000 acres, which Jeff of Canada operates as a "farmout" from Socony-Mobil, reserves of sulphur have been estimated at 11 million tons, and of pipeline gas 1.7 trillion cubic feet. Further drilling now under way may expand these estimates and demonstrate a dependable supply of pipeline gas of such magnitude as to permit larger deliveries to West Coast under the existing contract for deliveries commencing 1/1/60.

Thus, in respect to supply and sales, Jeff of Canada has a bright outlook and its future is of major significance to shareholders in the parent company. Jefferson Lake Sulphur Company owns 1,400,000 common shares of Jefferson Lake Petrochemical. In addition, 600,000 shares were publicly offered earlier this year by investment bankers, 300,000 in the U. S., and 300,000 in Canada at a price of $5.71 per share U. S. currency. These shares were well received by investors, and in over-the-counter trading are now quoted at around $10.50 in New York. Accordingly, current appraisal of Jefferson Lake Sulphur must take into major account the importance of its Canadian holdings.

The capitalization of Jefferson Lake Sulphur Company is made up of $8,076,375 in funded debt, $942,150 par amount in 7% preferred stock, followed by 743,844 in common, listed on the New York Stock Exchange. For each share of Jefferson Lake Sulphur there is a company holding equivalent to 1.88 shares of Jefferson Lake Petrochemicals. At present market valuation of 10½ (over-the-counter), 1.88 shares are worth $19.74. Deducting that from the market price of Jefferson Lake Sulphur common, $32.50, leaves a valuation of but $12.76 per share for the entire properties and assets of the parent company, excluding its Canadian investment. This, by any standards, seems to be a substantial undervaluaution, as company reserves of sulphur, oil and gas in the United States alone, would surely be worth at least $30 a share.

Jefferson Lake Sulphur (Stock Exchange symbol JEF) earned $1.57 a share in 1957. The first half of this year was a disappointing one resulting in a small deficit. This, however, was due to the fact that Jeff of Canada couldn't sell and deliver sulphur until the railway line came in. Heavier depreciation charges ($584,000) further reduced the net, and a strike affecting a major customer of the chemical division, reduced net from that source. And, of course, the lingering recession slowed down sulphur demand in general.

On all counts, however, the outlook has now brightened. Competent analysts have predicted earnings of some $2 a share on Jeff of Canada alone in 1960—equivalent to about $3.75 per share for the parent company common. While today, appraisal of JEF common might seem to stress a substantial market undervaluation of its reserve assets, the future might well deliver a quite dramatic increase in earning power. Present dividend rate is 6% in stock. JEF sells some 30% below its 1957 high of 47¾; and it has a much broader horizon of profitability today—including the possibility of a rise in the price of sulphur.

Two With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George M. Burke and John H. Grobaty, Jr. have become associated with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. Both were previously with Calin-Seley & Co.

India Monetary Meetings Highlight Aid Expansion

By A. WILFRED MAY

NEW DELHI, INDIA — "The world is in a political sense divided in various ways today. And yet the major division of the world today, I think the real division is the industrialized or the developed communities, and the undeveloped communities. That is the real division of the world today." These words from Prime Minister Nehru in his address opening the annual meetings of the International Monetary Fund and the World Bank are highly significant in expressing the international economic thinking in many areas, non-Asiatic as well as Asiatic — with Washington going along in the direction of expanding the international flow of capital and credit to the Have-Not countries. In the area of the Fund's activities, wholly apart from the again repeated pleas for greater lending flexibility by the Have-Not countries, we this year have the prospective adoption of the Eisenhower-sponsored proposal for enlarging its resources through a general increase in the quotas of the member countries, presumably by 50%. This certainly constitutes another facet of international "aid." Members must put up 25% in gold and 75% in a country's own currency, with the latter payable in "IOU" notes. So the direct bill to the United States in aid or, euphemistically "international investment," will be $1,375 million, with about $350 million of it in gold—a Budgetary item requiring an appropriation.


A. Wilfred May

Besides, the relative burden on the U. S. and the other creditor countries may be increased additionally. Changes in quotas are governed by the Fund Articles of Agreement, which provide that the obligation to pay 25% of the increase in gold is not applicable if a country's monetary reserves are less than its new quota, in which case the percentage may be reduced.

In general, monetary reserves are equal to gross holdings of gold and convertible currencies; and from these gross holdings a net is computed by subtracting currency liabilities to other countries. In many cases, the published figures on reserves do not set forth the true position; for example, they may perhaps not show dollar holdings as distinguished from sterling. The stated gold reserves figure can also be deceptive because the gold may already be pledged. And there might even be some difficulties regarding countries having sterling; since sterling is not convertible unless Britain makes gold available.

In any event, assuming that assent will not be given to Brazil's proposal of the privilege of offering its stocks of coffee in lieu of national currency in a commodity collateral system, or to the Pakistan plea to stabilize the price of jute, it must be assumed that some countries will experience difficulty in coming through with their subscriptions properly — thus increasing the proportionate burden of the United States and the other creditor countries.

The companion pending proposal to double the authorized capital of the World Bank, will create an additional contingent liability for the United States of either $2½ billion or $3¼ billion.

Another Aid Adjunct

Another aid expense item naturally getting attention here this week since it is to be an affiliate of the World Bank, is the International Development Association (which has grown out of the Monroney proposal) to make long-term loans for industrial development, with provisions for repayment in local currencies. "This particular scheme is best regarded as an adjunct to American foreign aid, in which political considerations vie with economic considerations," is its charterization by the London "Economist."

During discussion of international financing here, one is reminded of various projected other additions to the existing items now making up our nearly $2 billion total (including "Aid for Defense") as the recently established Development Loan Fund, economic aid under the Mutual Security Program, PL 480 sales of agricultural commodities and operations of the Export-Import Bank which bid fair to be maintained at around last year's total of $855 million. Additional outlay possibilities run the gamut from enlargement of the United Nation's Technical Assistant program, including the creation of the Special Fund to $100 million to enlarge regional development programs, to conceivable aid for the French franc.

Joins Trust Securities

BEVERLY HILLS, Calif.—Trust Securities Corporation announces the appointment of G. J. Cairns as a representative of the firm in the State of California. Mr. Cairns has been in the investment business for the past eight years on the retail level. He was proprietor of G. J. Cairns Company in Smithtown, L. I., N. Y., and prior to opening his own business he was Division Manager of H. L. Jamieson Company in San Francisco and Zone Manager of Investors Diversified Services, Minneapolis. He will make his headquarters at 450 North Camden Drive.

Some Recent SEC Activities

By EDWARD N. GADSBY*
Chairman, Securities and Exchange Commission

SEC regulator outlines suggested changes, based on the Commission's 25 years of regulatory experience, in rule making powers, and amendments to SEC acts of 1933 and 1934, Investment Company and Investment Advisers Acts of 1940 and Chaps. X and XI of Bankruptcy Act, that will be re-introduced to Congress next Jan. 7. Promising full and determined direct and cooperative effort to wage war on confidence men, "boiler rooms," and certain syndicates, Mr. Gadsby places particular stress on enforcement activity and notes that heartening cooperation from Canada has, however, caused illegal operators to turn up in Cuba and elsewhere.

With reference to proposed amendments to the Commission's rules, let me first restate some few axioms sometimes forgotten or overlooked by those who deal with the Securities and Exchange Commission on a day to day basis. The first and most basic of these concepts is the fact that our rule making power is not without its limits. The Commission may legislate by adoption of rules only within the framework of the powers entrusted to it by the Congress. It may not add to the statutes by rule, but it has the statutory duty to implement them. The remedy for an inadequate statutory delegation of power is by amendment of the statute, and not through the adoption of rules.

Edward N. Gadsby

Except for matters of internal management and certain other things here immaterial, the Federal Administrative Procedure Act requires publication of notice of rule making and an opportunity for submission of views by interested persons. In addition, the Commission, as a matter of practice, directs numerous individual notices to persons who have indicated an interest in the subject matter of any proposed rule. We actively seek and greatly appreciate any constructive comment which may be pertinent either in favor of or against any proposed rule. Such opinions, particularly when expressed by the experienced members of your own organization, are given great weight when we consider whether a particular proposal is in the public interest.

Varying Sales Loads

With these few and probably unnecessary introductory remarks, I should like to direct your attention to the concept of a "single offering price" described in Section 22(d) of the Investment Company Act as it relates to the question of permissible variations in sales loads imposed on purchasers of investment company shares. In this connection the Commission issued a notice last May of a proposal to adopt a rule (Rule N-22D-1) to clarify and codify its practices of permitting varying sales loads either through administrative interpretation of Section 22(d) or through orders of exemptions from the provisions of that section granted under Section 6(c).

Section 22(d) of the Investment Company Act prohibits a registered investment company, its principal underwriter or a dealer in its shares from selling its shares to "any person" except "at a current public offering price described in the prospectus." This section was clearly intended to prevent discrimination among purchasers and to provide for orderly distribution of such shares by preventing their sale at a price less than that fixed in the prospectus. In an opinion of the Commission's General Counsel issued in 1941, Section 22(d) was construed as permitting continuance of a long standing practice of the industry under which graduated reductions in the sales load had been granted, depending upon the quantity of shares purchased provided that such quantity discounts were clearly described in the prospectus and were available to any members of the public on a non-discriminatory basis. Pursuant to this interpretation, the Commission has permitted quantity discounts to be quoted on purchases by an individual at one time of a dollar volume of shares in excess of a fixed amount, say $25,000. It has also allowed quantity discounts on volumes computed on the basis of the aggregate of the shares previously acquired and then owned plus the shares being purchased, and also on the basis of so-called "letters of intent," in which the purchaser undertakes to purchase the required amount over a limited period of time in order to qualify for the reduced sales load. It has further permitted the aggregating of purchases by related individuals, such as members of a family, in order to make available the quantity discount. Questions have arisen under these arrangements as to the propriety of permitting quantity discounts to a trustee or other fiduciary or agent who purchases for more than one account. Quantity discounts have also from time to time been extended to a representative acting on behalf of a group of individuals such as members of a medical society or a college faculty. In rationalizing such a practice, the Commission has regarded the fiduciary or other representative making the purchases as a single purchaser and thus to be "any person" as the term appears to the statutory language, provided that the grouping of purchasers was voluntarily arranged without inducement by the issuer or its sales representative.

Complaints About Grouping of Purchases

It has appeared necessary, however, to reconsider these determinations and to review existing industry practices in view of some complaints made to us in connection with such groupings of purchases. It has been found in many instances that the grouping has been solicited or encouraged by the investment company. It has become increasingly evident that reduced prices are not being granted to a single member of the public based upon the quantity of the shares being purchased, but rather to the aggregate purchases of several or numerous individuals comprising selected "classes" of persons, contrary to the spirit and intent of Section 22(d). An important consideration in this situation is the danger, if not the positive certainty, that prospectuses will not be furnished to all of the individuals comprising the group, in violation of the disclosure requirements of the Investment Company Act and the Securities Act.

As I mentioned, the proposed Rule N-22D-1 was drafted and circularized for comment among the industry in May, 1958. Comments were received from some 45 persons, including several state regulatory authorities, representatives of various trade groups, investment companies, dealers and attorneys. Some ten appearances were entered at the oral argument held on the proposal before the Commission on July 23, including representatives of the National Association of Securities Dealers, the National Association of Investment Companies, various funds, management companies and other associations.

Proposed Revision

The proposed rule provides in part that quantity discounts will be permissible when granted in accordance with a scale of reducing sales load varying with the quantity of securities purchased by any person and based on (1) the aggregate quantity of securities being purchased at any one time or (2) the aggregate quantity of securities previously acquired and then owned plus the securities being purchased. The term "any person" is defined in the Rule to include (1) an individual purchasing securities with his own funds for himself and members of his immediate family and (2) a trustee or other fiduciary purchasing securities for a single trust estate but regardless of the number of beneficiaries. The proposed rule expressly provides "the term shall not include a group of individuals, acting jointly or through a trustee, agent, custodian or other representative." It also draws the line at the granting of special discounts to officers and employees of the issuer or the sponsor.

"Letters of Intent"

In the written comments and at the oral argument, objections to the proposed rule were raised in connection with the elimination of quantity discounts based on the so-called "letters of intent." It was pointed out that as a practical matter it would be impossible in most instances for a dealer or broker selling shares of a mutual fund to grant a quantity discount on the aggregate of the shares already purchased and then owned plus the amount being purchased, since there would be no way of ascertaining the total number held by the prospective purchaser. Aside from the few companies which have direct sales organizations and maintain complete records in their home offices of all sales and redemptions made by purchasers of their shares, there would be no source from which the seller could readily obtain information to verify the present holdings of a prospective purchaser.

On the other hand, most of the representatives of the industry felt that purchases pursuant to a "letter of intent," if the practice is properly safeguarded, would be the most practical and effective method of offering a discount based on purchase of a certain quantity of shares. It was argued that the additional shares to which the purchaser might be entitled by reason of the saving resulting from the quantity discount could be held in an escrow fund until the entire program had been completed, or if the full sales load was to be charged on each purchase, the difference between the standard sales load and the lesser amount to which the purchaser would be entitled as a quantity discount could be held in an escrow fund to be delivered to the purchaser on the completion of the program. In such event, it was felt that there would be no possibility of the purchaser receiving a discount to which he might not be entitled.

Defining "Any Person"

In addition, it was suggested that the period to be covered by such letters of intent should be limited to some definite period, such as 13 months. It was also forcibly argued that the term "any person" should be defined so as to include the spouse and minor child or children of the purchaser so that the discount might be based on the total number of shares held by the entire family unit. Some criticisms were also advanced as to other parts of the proposed rule emphasizing the considerations which had led to the existing practices, and some further restrictions were urged such as a limitation upon special treatment of purchases by tax-exempt charitable organizations.

The proposed rule is now under active reconsideration by the Division of Corporate Regulation in the light of the comments so received, and it is probable that, after further consideration by the full Commission a rule of the general nature of that submitted will eventually issue, though possibly with some modifications to meet the more reasonable of the criticisms which have been made. In such event, it will no longer be necessary to petition for special orders in order to legalize special discounts in certain cases, as has been done repeatedly under the existing situation.

Problem of Assessable Stocks

One troublesome problem confronting the Commission relates to the application of the Securities Act of 1933 to assessable stock. It is true that assessable stock is not used as widely as it once was, and it is not available under the laws in many jurisdictions. However,

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*An address by Mr. Gadsby before the 41st Annual Convention of the North American Securities Administrators, Mexico City, Sept. 27, 1958.

A Tribute to a Great Man

"VALE! VALE! VALE! DEUS TECUM."

One of the great men of this century, Pope Pius XII, passed on to his eternal reward Thursday, October 8, 1958, at 3:52 a.m., following a second stroke.

For a week, the Christian world had breathlessly kept vigil at his bedside but the long ailing Pope finally succumbed to nature's demands at Castel Gandolfo, his summer residence, 18 miles from Rome, in his 82nd year.

During these warring years, the world was fortunate indeed to have as the spiritual leader of nearly half a billion Catholics such a man as Pope Pius XII who lived and worked for Peace, the defense of Religion and Civilization, and who waged a stalwart fight against the false ideologies of Communism and Fascism which threaten to obliterate our religious institutions and our freedoms.

Second only to the efforts of the United States of America, the Roman Catholic Church, under the leadership of the Holy See, has been the most militant force in the world to combat Communism.

Those of us who are members of the Protestant, Jewish and those of other faiths are indebted to the Holy Father and his Church for their noble efforts to preserve the sacred things which we all revere and cherish most in our life.

For over a quarter of a century, Pope Pius' astute statesmanship and humanitarianism has been as worldwide and beneficent as was his outstanding influence for the love and peaceful brotherhood of all nations and peoples under God!

As might be expected, the late Pope did not live a cloistered life either before or after he became Pontiff. His travels to the United States, South America and in European countries proved his Holiness to be a friendly, approachable personage, who loved the humanities and the common man.

As the world's best known religious personality, Pope Pius XII was loved for his sanctity, his humility, piety, compassion and unselfish ministrations throughout the 19 years of his life as Supreme Pontiff of the Roman Catholic Church which today numbers within its fold nearly one-fifth of the world's population.

Last Monday, October thirteenth, church bells all over Christendom tolled their last farewell for the "Pope of Peace," born Eugenio Pacelli, in Rome Italy, who later as Pontiff graciously admonished the world to "do justice, love mercy and walk humbly." On that day the Holy Father was laid to rest in St. Peter's Basilica in a crypt believed to be within a few feet of the body of the Apostle Peter, the first Pope of the Roman Catholic Church.

The modesty and lovable character of this saintly man may be judged by reading his will in which Pope Pius declared:

"I humbly ask pardon of all whom I may have offended, harmed or scandalized by word or deed. . . .

I name as my universal heir the Holy Apostolic See, from which I have had so much, as from a loving Mother."

When the historic records of this century are completed, one man, notably Pope Pius XII, will be remembered by Protestants, Jews, Catholics and those of other faiths with deep veneration and reverence for his loving services for God and mankind.

—ALEXANDER WILSON
Member, the "Chronicle's" Editorial Department

October 8, 1958

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A current release this week by the Federal Reserve Board shows that the nation's Gross National Product considered the broadest barometer of industrial and business activity climbed to an annual rate of about $440,000,000,000 in the third quarter from $429,000,000,000 in the preceding quarter. The prospects are good that it will reach $450,000,000,000, a record, at the close of the year.

Government economists see in their calculations a broad recovery proceeding at a good pace, with nothing in sight at present to prevent the Gross National Product, the value of all goods and services, from topping in the fourth quarter the previous record of $445,600,000,000 annual rate, reached in the third quarter of 1957.

A $440,000,000,000 Gross National Product in the third quarter would mean that about two-thirds of the ground lost during the recession has been recovered. The annual rate of the Gross National Product fell to $425,800,000,000 in the first quarter of this year. While some of the gain since then is undoubtedly due to the continued rise in prices, Government economists nevertheless think the advances in real terms are significant. There is a good possibility that the annual rate of the Gross National Product for the fourth quarter of this year will top the previous high in real terms.

In the third quarter, nearly all the major economic indicators showed significant advances, Government economists point out.

Industrial production, as measured by the Federal Reserve Board's seasonally-adjusted index, was up to 137% of the 1947-49 average in August. This was 11 points above the recession low in April—five points of the gain being recorded in July and August. Federal specialists expect the September index, due later this week, to show a further advance.

Government economists report a drop of nearly 600,000 in unemployment in the month to mid-September. The more-than-usual decline, about twice the normal seasonal amount, pushed down the jobless total to 4,100,000, the lowest this year.

The report by the United States Departments of Commerce and Labor said about 300,000 of this decline came as a result of the hiring of workers 25 years old and over, considered by Government officials as the "family breadwinners" in the labor force. The upsurge in hiring cut this class of jobless to 1,800,000, the first time it has fallen under the 2,000,000 mark this year. On a seasonally adjusted basis, the Government reported, "this was the first significant drop in unemployment among adult men since the recession began last year."

However, initial claims for unemployment compensation, a measure of new layoffs, rose by 20,600 during the week ended Oct. 4 to a total of 277,900. The department added, this increase was a normal, seasonal trend because of the fall slowdown in seasonal industries. In the corresponding week a year ago, initial claims rose by about 23,000 to 264,500. The figures for new claims come faster than those for the number of workers drawing compensation because payments are not made until a week after claims are filed.

Inventory rebuilding is giving the steel market pickup an added push states "The Iron Age," national metalworking weekly this week.

It noted that more steel buyers this week have begun to rebuild their stocks in view of the gathering strength of the market. These buyers are hedging against a possible supply pinch later in the year.

"Steel mills report business a lot better than they had expected despite scattered strikes in the auto industry," says "The Iron Age." "October business is better than September's and November orders are coming in at a good pace. For some mills last week was the best for the year to date."

Steel market analysts declared that inventory thinking has turned in the direction of greater steel stocks. They estimate steel users will buy a minimum of 200,000 tons over and above actual production needs in fourth quarter with a possible maximum of 1,000,000 tons.

"Even if the top figure is right," continues this trade weekly, "there will only be about four days supply added to stocks. Allowing for increased production, many plants will end the year with shorter reserves than they have now."

The metalworking weekly pointed out that the market picture in the next few months could easily be the exact reverse of what it was earlier in the year, when user inventories were on the way down. At that time the mills were battling on two fronts, inventory cutbacks and a slow economy. With business generally now on the upswing, inventory rebuilding would be all the mills need to carry their market through a strong fourth quarter.

Auto plant shutdowns over local labor issues are tending to be a drag on the market, but not enough to show the upward trend. Some auto plants have asked the mills to delay shipments pending settlement of the walkouts. However, overall automotive demand is still good.

Contributing to mill optimism is the fact that their market is getting stronger despite the lack of orders from two major industries, the railroads and oil and gas. These industries are expected to return to the market late this year or early next year.

Meanwhile, more steel companies report a growing backlog of orders for some products, especially sheets and strip, galvanized sheets and bars. This reflects increasing demand from the appliance, farm equipment and automotive industries.

At $4,800,000,000 in September, the total dollar value of new construction put in place matched the record set in August, the United States Departments of Commerce and Labor report. The

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McLeod, Young, Weir Office in New York

McLeod, Young, Weir, Incorporated, an affiliate of McLeod, Young, Weir and Company, Ltd., Toronto, have opened an office at


George C. MacDonald   F. W. Robson

15 Broad Street, New York City. McLeod, Young, Weir, Incorporated have been in New York since 1932 with offices at the First Boston Corporation and have participated actively in the underwriting of Canadian Government, Provincial and Municipal bonds. They have also participated at times in the underwriting of American domestic securities. The new office will continue to have an active interest in these areas as well as in the trading of Canadian securities on a day to day basis. An extensive private wire system connects the New York offices with financial centers in Canada from coast to coast. McLeod, Young, Weir, Incorporated office will be under the management of George C. MacDonald, President. Other executives are: Fremont W. Robson, James A. M. Stewart, Donald R. Johnston.

W. C. Porter Named Pres. of Dittmar Co.

SAN ANTONIO, Tex.—William C. Porter has been elected president of Dittmar & Co., Inc., 201 North St. Mary's Street, succeeding the late Elmer A. Dittmar, who passed away Sept. 18.

[illegible]

Mr. Porter joined the Dittmar firm's Dallas office in 1946, after his graduation from S. M. U. and four years later came to San Antonio. He had been a close associate of Mr. Dittmar and had been a vice-president of the firm since 1946.

He is a governor of the Investment Bankers Association, in which he has long been active.

Walter N. Mathis, a vice-president, has been elected treasurer and also a director.

Other officers are William A. Jeffers, Philip R. Pattison and E. W. Franklin, vice-presidents. Mr. Jeffers also is secretary. Mr. Franklin is manager of the Dallas office.

Mr. Porter announced that Carl M. Loeb, Rhoades & Co., will serve as New York correspondent for Dittmar & Co. He said the arrangements were made with Loeb, Rhoades in order to provide complete facilities for margin accounts, short sales and other phases of investment banking and to obtain more extensive research opportunities adapted to individual and institutional investors.

Three With Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Vern H. Bohigian, Carl Steinhauer and Stanley A. Steinhauer have become associated with Hall & Hall, Bank of America Building.

What Do We Learn From Recessions?

By CARROL M. SHANKS*
President, The Prudential Insurance Company of America
Newark, New Jersey

Insurance head recounts four major lessons learned from the experience of our three post-World War II recessions. Mr. Shanks cites need for better inventory, plant and equipment policies; notes importance of the consumer and stability of his purchases; finds governmental control techniques, particularly in price stability, have been ineffective; and advises on the value of diversification. He reviews what can be done so that we would not repeat the errors of businessmen who prior to the last recession became so imbued with the future that they cast caution aside, built inventories far too high and embarked on capital programs based on naive over optimistic extensions of the rate of growth of sales during the boom.

We are just now recovering from the third of these adjustments. For a while, this last one was widely discussed as something different from those that had gone before. Economists reported that this last recession was not the classical type, that it did not arise from the usual causes; instead, they said, it was different, and would require a much longer period of adjustment before business started on the upward path.

Carrol M. Shanks

It is becoming increasingly clear, however, that the 1958 recession was basically of the same type as the 1949 and 1954 recessions. Like those recessions, it was relatively mild and quite short-lived. Like those recessions, it did not involve all segments of the economy but was concentrated in the durable goods area. Like those recessions, it did not cumulate into a major economic catastrophe, but provided only a temporary setback to the long-term upward trend.

While the mildness and shortness of the three postwar recessions has been fortunate, the very ease with which the economy has recovered carries with it a number of dangers. The most serious of these dangers is that we will cease to be self-critical, that we will too easily forget the mistakes at both the government and private level which brought on the recessions—in short, that we will go through recession after recession without learning a thing.

Need to Better Governmental Controls

A review of monetary and fiscal policy during the postwar period indicates that we still have a great deal to learn about the appropriate use of these economic controls as aids to the stabilization of production and prices. The worst failure from the standpoint of government has been its complete ineffectiveness in achieving price stability. The record of inflation during the past decade is shocking testimony to the inability or unwillingness of government to face up to the problem of chronic erosion in the value of the dollar. Fiscal policy has also proved to be a clumsy and uncertain technique for stabilizing the level of business activity. Government spending and taxing policies have on occasion after occasion not only failed to curb inflationary booms and failed to soften business letdowns, but have actually contributed to inflation and to recession.

Although there is much to be learned before we can make intelligent use of government economic action, I would like to concentrate today on the lessons which the **private** sector of the economy can learn from the recessions of the postwar period.

* * *

Two years ago for example, Indianapolis was enjoying a high level of prosperity. It appeared that everything was going to work out as planned. While a wide variety of other cities across the country were continuing to slide downhill, Indianapolis had checked the forces of urban deterioration that were causing other areas so much trouble, and **you were on your way.** Business was good, payrolls were high, the city was growing, businessmen with expansion on their minds were considering the Indianapolis area, and all the statistics indicated that a decade and more of planning had really begun to pay off.

But by the end of 1956, many consumers had bought all of the automobiles, all of the refrigerators, all of the appliances they wanted. They had bought to the hilt on long, easy terms. In some cases, they had been over-pressured, and to some extent had simply grown weary of buying. In 1957, consumer disinterest in durable goods was joined by a cutback in business purchases of durable equipment. These cutbacks hit Indianapolis particularly hard because durable goods are the lifeblood of most of your manufacturing — and manufacturing accounts for fully a third of your economy. When Federal Government expenditures were reduced in mid-1957, this affected another major sector of your economy.

Fortunately, the last few months have seen an impressive turnaround, and there are now signs of real progress.

Now is the time for all of us to stop and think. Can we plan a program that will have at least an even chance to establish a steadily improving, but soundly based, prosperity? What sort of business planning is likely to prevent our repeating the same mistakes which have led us in the past into alternate periods of inflation and recession?

Unstable Inventory & Investment Policy

In reviewing the experience of the 1958 recession and the two postwar recessions which preceded it, one feature stands out strikingly—the instability of business inventory policy and plant and equipment policy. In the boom prior to these recessions, businessmen became imbued with so rosy a view regarding the future that they threw caution to the winds, built inventories far too high even for prosperity demand, and embarked on capital programs based on simple and highly optimistic extensions of the rate of growth of sales during the boom. All it took was an unexpected shift in consumer demand or a cutback in government spending to suddenly highlight the excessive inventories and overbuilt plant. Then, business policy swung to the opposite extreme. The firm's product, which had seemed to have a virtually unlimited market six months before, now appeared to have no growth possibilities at all. Plant which had struggled to keep up with demand a short time before was now hopelessly excessive. Inventory liquidation and cutbacks on plant and equipment expenditures became the order of the day, and business itself ensured the realization of its own fears.

In hindsight, these policy extremes seem inexcusable; but we can't really be too critical: the establishment of a continuously sound inventory policy and sound plant and equipment policy is not easy. A dynamic economy such as ours does not move along in strictly predictable fashion, and certainly the forces of composition cannot be mapped in advance. As long as consumers are free to spend their money on goods and services of their own choosing, the task of business planning will necessarily involve constant watchfulness and constant adjustment. But there is no question that businessmen can do a better job than they have done in the past in keeping abreast of changes in the market as they occur, in adjusting inventory promptly to those changes, in planning further into the future, and most of all in resisting over-exuberance during the boom and over-pessimism when business turns downward. The answer does not necessarily lie in lower inventories; it lies in more rapid adjustment of inventories to changes in sales. Prompt adjustment requires a constant analysis of the market, a better system of inventory reporting, and a willingness to accept losses as they occur rather than cumulating them into a hopelessly overstocked condition.

In the area of plant and equipment spending, businessmen have greatly improved their forward planning. The influence of business conditions of the moment, however, still weighs too heavily in our capital decisions. We all

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*An address by Mr. Shanks before the Indianapolis Chamber of Commerce, Indianapolis, Ind., Oct. 2, 1958.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Advice for the Woman Investor — Reprint — Morton Seidel & Co., 456 South Spring Street, Los Angeles 13, Calif.

Atomic Letter No. 52—With reports on Geneva Atomic Conference, the nuclear navy, **Philips Lamps** and **Cenco Instruments Corp.** — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**

Cement Industry—Review—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Chemical Stocks—Bulletin—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

Coppers—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a review of **Acme Industries.**

Electronics for Everyone—Article in current issue of "The Exchange"—"Exchange" Magazine, 11 Wall St., N. Y. 5, N. Y.—20 cents per copy; $1.50 per year. Also in the current issue are articles on **Utility Dividend Policies** and **Stock Market Cross Currents.**

Favorite Fifty—50 issues most popular with professional management—Vickers Brothers, Inc., 37 Wall Street, New York 5, New York.

Industry Trends—In October issue of "Securities Outlook"—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York

New York City Bank Shares — Review — In current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are a list of "Tax Free" Bonds, Beneficiaries of the New Railroad legislation; and a list of discount stocks. Also available is a list of common stock candidates for institutional investment, and a list of six attractive lower priced issues.

Oil Stocks—Bulletin—Peter P. McDermott & Co., 52 Broadway, New York 4, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

"Pocket Guide for Today's Investor"—Current issue giving a list of 20 stocks which appear attractive in the current market, selected income stocks, growth stocks, and a list for trading—Harris, Upham & Co., 120 Broadway, New York 5, New York.

Rail Stocks—Bulletin with particular reference to **Denver & Rio Grande Western, Great Northern, Kansas City Southern, Norfolk & Western, Southern Pacific** and **Southern Railway** Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Small Business Program—Discussion in October, 1958, issue of "American Investor"—American Investors, 86 Trinity Place, New York 6, N. Y.—$1.00 per year. Also in the same issue are brief discussions of **"Two Guys From Harrison," Sunset International, U. S. Ceramic Tile Company** and **Aeronca Manufacturing Corp.**

* * *

Adams Engineering Company, Inc. — Analysis — Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a bulletin on **National Electric Welding Machines Company.**

Addressograph Multigraph Corporation—Bulletin—Ross, Lyon & Co., Inc., 41 East 42nd Street, New York 17, N. Y.

American Telephone & Telegraph Company—Analysis—Baker, Weeks & Co., 1 Wall Street, New York 5, N. Y. Also available is a report on **Pan American World Airways, Inc.**

Bank of America—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Radio Corporation of America** and **Aldens, Inc.**

Bourjois, Inc.—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Caterpillar Tractor Co. — Report — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Chemetron Corporation — Bulletin — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Continental Can — Survey — Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are surveys of **Ferro Corporation** and **Standard Packaging Corporation.**

Dresser Industries—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also in the same bulletin are reviews of **Gardner Denver** and **Halliburton.**

Eastern Gas & Fuel Associates — Report — Sartorius & Co., 39 Broadway, New York 6, N. Y.

Eastern Stainless Steel Corp.—Memorandum—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y.

Garrett Corp.—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **El Paso Natural Gas** and **Inspiration Consolidated Copper.**

General Cigar Co.—Memorandum—Hardy & Co., 30 Broad St., New York 4, N. Y. Also available is a memorandum on **W. F. Hall Printing Company.**

General Motors Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Grolier Society — Analysis — Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Gulf States Leaseholds, Inc.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **International Bank of Washington, D. C.**

Harris Intertype Corporation—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Harris Trust & Savings Bank—Memorandum—Lamson Bros. & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

International Paper—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Johns Manville Corporation—Review in ABC Investment Letter—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also in the same issue are data on **Southern Natural Gas Co., Royalite Oil Company Ltd., American Express Company** and **Republic Natural Gas Co.**

Knox Glass, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

McNeil Machine & Engineering Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are reports on **Gas Service Company, General Merchandise Company, Marine National Exchange Bank of Milwaukee** and **Meredith Publishing Company.**

Missouri Kansas Texas Railroad Co.—Bulletin—Oscar Gruss & Son, 150 Broadway, New York 38, N. Y.

National Bank of Commerce in New Orleans—Memorandum—Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

National Dairy Products Corp. — Memorandum — Woodcock, Hess, Moyer & Co., 123 South Broad St., Philadelphia 9, Pa.

Nippon Gas Chemical Industries—Analysis in current issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same Digest is an analysis of the current Japanese economic situation.

Pan American Sulphur Company—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Pearl Brewing Co.—Memorandum—Dewar, Robertson & Pancoast, Milam Building, San Antonio 5, Texas.

Radio Corporation of America — Appraisal — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Simmons Company—Bulletin—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is an analysis of **Champlin Oil & Refining.**

Skill Corp.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Standard Paving & Materials Ltd.—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

Wilson & Co., Inc.—Report—Oppenheimer & Co., 25 Broad St., New York 4, N. Y. Also available is a memorandum on **Schenley Industries.**

Joins Westheimer

CINCINNATI, Ohio—Arthur L. Eilerman has joined the staff of Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Now With du Pont, Homsey

(Special to The Financial Chronicle)

WORCESTER, Mass.—John Kaskan is now associated with du Pont, Homsey & Company, 340 Main Street. He was previously with R. B. Sideckas & Co.

Corp. Bond Traders To Hold Annual Dinner

The Corporate Bond Traders Club of New York, Inc. will hold its 26th annual dinner meeting at the Hotel Roosevelt on Friday evening, Oct. 17, it was announced by Herbert G. Fitzpatrick, Dick & Merle-Smith, President.

The gathering is expected to be the largest in the history of the organization, with more than 265 members and guests present, according to Paul Lane, of Kidder, Peabody & Co., chairman of the dinner and arrangements. The club was organized in 1932 with the avowed goal of fostering better understanding between traders in the bond business.

Matthew Corp. Branch

ARLINGTON, Va.—The Matthew Corporation has opened a branch office in the Arlington Trust Building under the management of Robert P. Green.

Now With Westheimer

CHILLICOTHE, Ohio — George C. Noble is now representing Westheimer and Company of Cincinnati.

Join M. C. Yerke Assoc.

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Ralph R. McCoy and A. V. Roberts have become affiliated with Marvin C. Yerke and Associates, Inc., 40 West Broad Street.

With Stone & Youngberg

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal. — Donald G. Agnew is now connected with Stone & Youngberg, Russ Building, members of the Pacific Coast Stock Exchange.

COMING EVENTS

In Investment Field

Oct. 16-18, 1958 (Sarasota, Fla.)
Florida Security Dealers Association annual convention at the Lido Biltmore Club.

Oct. 17, 1958 (New York City)
Corporate Bond Traders Club of New York 26th annual dinner meeting at the Hotel Roosevelt.

Oct. 25, 1958 (New York City)
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Nov. 8, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia sixth annual dinner dance at the Philadelphia Cricket Club.

Nov. 10, 1958 (New York City)
Security Traders Association of New York Annual Beefsteak Party at the Antlers Restaurant.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Dec. 10, 1958 (New York City)
Investment Association of New York annual dinner at the Waldorf Astoria.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

The Seeds of Inflation and Banking's Glaring Weakness

By JOHN E. STIPP*

President, Federal Home Loan Bank of Chicago, Chicago, Ill.

Chicago home loan banker informs managers of a fixed dollar type of financing institution that the glaring weakness confronting them is inflation and that they should prevent the danger of further inflation from coming about. Mr. Stipp avers that the inflationary drift results from two great political parties constantly moving farther and farther to the left, and states this may require a "variable savings account." The banker finds that the seeds of inflation in the economic outlook, unless prevented from sprouting, presents a dilemma; for to destroy them would cause a recession and to permit them to grow would act like a cancer consuming economy's healthy tissue. He explains reasons why the cost of borrowing money is firming up and believes savings dividends, however, can be reduced to 3%.

First of all, let's see what the current picture looks like. Going back a year to September, 1957, we were just a couple of months past what is now accepted as the last peak of business activity—July of 1957. We were still in a period of tight money and high interest costs. As the fall season wore on, chinks began to appear in the armor of our economic activity. Gradually, unemployment showed up as a major indication of this slowing activity. Some people lost their jobs, others lost overtime and newcomers to the employment market found jobs scarcer and not so well paying. As 1958 began, we saw that one of our basic industries, the automobile market, was rapidly deteriorating. The recession became apparent to everyone, and the question was: how long would it last and how severe would it be?

John E. Stipp

The fiscal authorities of the government began to take steps to stimulate the economy—to ease the supply of money and to lower the cost of borrowing money. Congressmen suggested vast expenditure for public works and all the other traditional pump priming measures: tax reduction, deficit spending, and general economic stimulation.

The construction industry lagged; our own field, housing, looked very weak in the winter and spring months of 1958; steel production dropped steadily in terms of the ratio of its production to its capacity to produce; the gross national product fell; most all the indicators showed that we were in the grip of the most severe recession since the end of World War II.

On the other hand, even those people who had lost their jobs felt that business would soon improve and the psychology of businessmen and the people—the consumers — generally did not become panicky and force us into a real, long-term depression. This matter of public confidence was the key to the reversal of these trends.

With the advantage of hindsight, we can now look back and see that the depth of this recession was reached in April of this year, and that while it was the most severe recession since World War II, it was also the shortest in period of time from the peak of activity in July of 1957 to the low point this past April.

*An address by Mr. Stipp before the 79th Annual Convention of Illinois Savings and Loan League, Chicago, Ill.

Indicators Point to Recovery

While all the economic indicators do not point in exactly the same direction, more and more of them are now pointing toward recovery. One of the major causes of the recession—the liquidation of inventories — has practically stopped and indications are that the goods on retailers' shelves are not now adequate to take care of the probable demand in the near future.

This means then that these retailers must add to this supply of goods by purchasing more from the manufacturers. This can only result in the stimulation of manufacturing, of manufacturers' suppliers and of manufacturing employment. Home building has stepped up very markedly in these past few weeks and is estimated now to be running at an annual rate of between 1,100,000 and 1,200,000 units. This is close to the peak rate of home construction in the postwar period.

We should keep in mind, however, that not all of the economic barometers are even yet pointing to clear sailing ahead. Employment increased less than usual during this past summer and unemployment decrease less than usual. Retail sales were below those of the summer of 1957.

Cost of Money and Bonds' Distress Sales

Turning from general business to activity in the government bond market, from the high prices bonds brought in the late spring and early summer, these prices are now down, resulting in higher yields and higher interest rates being demanded on new issues. Part of this resulted from speculation in a relatively free market. Speculators bought new issues of governments with the hope of being able to realize a profit if the trends toward higher prices and lower yields continued, as these speculators expected them to. The problem came when prices fell and they became frightened at the prospect of loss and sold to minimize those losses. These sales were somewhat in the nature of what we term "distress sales" and could only result in downward pressure on the bond market. This increase in yield, of course, was felt throughout the money market and has increased the cost of borrowing money.

Another reason for this increase in the cost of borrowing money is that, in the light of the expected Federal Government budget deficits during the next five years, the Treasury will be called upon to borrow large sums of money, which is likely to increase the interest costs on government securities.

Increasing the cost of borrowed money tends, of course, to reduce the use of borrowed money. The result of this is a delay in the spending by private business, as well as by the government, which might have been undertaken had the cost of borrowing money remained low. Private business firms who might be considering borrowing to get the funds for corporate expansion and development, such as new plants and equipment, will defer those plans when they see the cost of such borrowing increase, against the time when they think that such borrowing will be cheaper to them. Consequently, the work that such borrowing would finance is necessarily likewise deferred. Aside from the effect that this change in the money market has on our own business, it may also have the effect of slowing business expansion and development, thus having a depressing effect on overall business activity.

Besides the pure, profit-seeking speculators in the bond market, many people are coming to the idea that the long range problem of our economy is inflation and that they should get out of fixed dollar investments, such as bonds, and into investments which will reflect the rate of inflation. There has been a tendency during these past few months for investors to get out of long term bonds and into common stocks as a hedge against inflation. This psychology on the part of many investors is undoubtedly the major factor in the recent price levels in the common stock market.

Equities' Price to Earnings

Related to earnings, current prices in the common stock market are extremely high. A couple of weeks ago, the ratio of price to earnings rose to about 17.7 to 1—that is, the average stock price was about 17.7 times the average annual earnings on those stocks. This is just about twice the ratio as recently as 1953.

Many factors, of course, go into this. One of the principal reasons is that people are betting that there will be substantial inflation in the months and years that lie ahead, and only through the flexible values of stocks can they protect themselves against such inflation. War scares contribute greatly to this kind of activity in the stock market. These and other factors indicate that the stock market is largely dependent on the psychology of the mass of investors. That psychology may be heavily charged with emotion and not completely objective.

Firmer Money Rates

It seems to me that money rates are going to firm up as compared to the trend in the spring of this year, particularly with respect to mortgage rates. A few months ago, some of our institutions were hard pressed to make the quality of loans they sought, even at somewhat lessened interest rates. Indications now are, I believe, that the real estate market has firmed up, the demand is there, and the equity can be secured. I think then that there will be some moderate upward movement in mortgage interest rates in the months that lie ahead.

On the other hand, I want to make clear that I still think a good many of our institutions are paying more for their savings accounts than they need to pay, in relation to the general money market. I do not think I am inconsistent when I say that. For the type of investment we offer, having in mind its liquidity, we do not really need to pay more than 3% in most cases. There may be local conditions, such as local commercial bank time deposit rates, where 3½% is indicated, but I cannot justify more than that rate in my mind.

Uppermost Danger

Now, turning to the danger that is uppermost in my mind, I believe that the glaring weakness of the savings and loan industry, in common with every other type of financial institution which offers fixed dollar investments, such as life insurance companies and commercial banks, is the danger of inflation.

Let me make it clear that, based on the considerations I have mentioned earlier, I do not believe that we are in for a heavy inflationary period in the immediate future. I do, however, think that the long-term prospects are strongly in the direction of a dangerous amount of inflation.

As far as the short-term is concerned, the recent recession probably has more to do than anything else with the lower rate of inflation in the months that lie immediately ahead. The cost of living figures have been relatively stable during the past year. To illustrate the importance of cost of living figures in our thinking, T. Coleman Andrews, former collector of internal revenue, reported that in a recent two-year

Continued on page 24

G. M. Loeb Co-Chairman Of N. Y. March of Dimes

Gerald M. Loeb, partner of the brokerage firm of E. F. Hutton & Company, has been named co-chairman of the 1959 New York March of Dimes, it was announced by Roy W. Moore, Sr., general chairman.

G. M. Loeb

As co-chairman, Mr. Loeb will assist in the co-ordination of campaign activities and help to enlist the support of business, industrial, labor, professional and civic leaders.

Laird, Bissell & Meeds Wire to J. S. Strauss

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announce the installation of a direct private wire to J. S. Strauss & Co., 155 Montgomery Street, San Francisco.

New Riecke Branch

DAYTONA, BEACH, Fla.—H. A. Riecke & Co., Inc. of Philadelphia has opened a branch office at 204 Seabreeze Boulevard. John B. Bunting is Florida regional manager; Roy C. Alloway is assistant manager.

Public Utility Securities

By OWEN ELY

The Houston Corporation

Houston Corp. was organized in March, 1957 as a holding company to promote the construction of a pipeline to transport natural gas from the Gulf Coast of Louisiana to Florida. After some difficulties and delays with the Federal Power Commission and the courts, Coastal Transmission Corp. and Houston Texas Gas & Oil Corp. obtained certificates to construct the line. Houston Corp. owns all the stock of both these companies, and has contracted to acquire 80% of the stock of Jacksonville Gas Corp. and to purchase the gas distributing systems in Miami, Lakeland, Daytona Beach, Orlando, Winter Park and other municipalities. It has also purchased the gas properties of Florida Power & Light for $5.1 million.

The initial pipeline system will have an average daily delivery capacity of about 282 million cf; in future the use of compressors could raise potential capacity to 411,000 mcf. Of the initial capacity, 150 million cf is to be transported from gas reserves owned in Louisiana and Texas by Florida Power Corp. and Florida Power & Light for use as boiler fuel in their generating stations. Contracts with these companies provide that the pipeline will be paid for a minimum of 90% of the average daily amount whether transported or not, subject to certain provisions. Other contracts have been signed for firm sales for resale to 30 cities and towns in Florida and for interruptible sales both to communities and industrial companies.

About 70% of the gas to be sold for resale will be obtained from Gulf Oil, Shell and Superior in various areas of the Gulf Coast in Texas and Louisiana, all contracts being for 20 year periods. The geologist's report estimates that reserves already under contract and available for sale for resale, plus certain uncommitted additional reserves that probably will be committed to the line, should be adequate for about 15 years. The gas supply for the transportation service to the two electric utilities (for boiler fuel) has been purchased by these utilities from Pure Oil Company, Sun Oil, Magnolia and LaGloria.

On Aug. 28 the company received a check for about $52 million from underwriters representing proceeds of the sale of $36,188,000 5% subordinated debentures due 1968, and 1,809,400 common shares. In addition the two subsidiaries made private placements of about $107 million in 1st mortgage bonds. The debentures were successfully sold in the form of units, each unit consisting of $100 debenture and five shares of common, at an offering price of $150 per unit. The stock will not be separately transferrable before Aug. 15, 1959 except at the election of the company, and (under some conditions) of the underwriters. The company also offered Class A and common shares to earlier stockholders of record May 23. (For those who want complete details of the financing and other technical matters, reference should be made to the prospectus on the debentures.)

Construction of the 1,500 mile pipeline was scheduled to begin late in August, for completion by June, 1959. Total cost of the system is estimated at $161 million, including a provision of approximately $3,700,000 for contingencies. Expansion of the line to a capacity of 418,000 mcf daily is estimated to cost another $41 million.

Consolidated capitalization, based only on plans for the initial pipeline system, is approximately as follows:

	Millions	Percent
Subsidiary Mortgage Bonds	$107	57%
Subordinated Debentures	37	19
Bank Loans	7	4
Total Debt	$151	80%
*Common Stock Equity	36	20
	$187	100%

*Includes Class A stock, which differs from common as to voting rights, and under certain conditions will be convertible into common.

The management has indicated that it plans to expand the line to 418 million cf per day within six months after completion of the initial construction.

The residential, commercial and industrial markets in Florida undoubtedly have susbtantial growth prospects based on the phenomenal development of Florida. However, it should be recognized that central heating units have thus far not been in general use in this area and homes already constructed may not be readily adapted for the use of this method. Because of the usual light winters, a large proportion of heating facilities are in the form of small electric or oil room-heaters. However, a major market for the new gas in the residential and commercial field might develop in air-conditioning, and the recent success by Arkla Servel in manufacturing gas air-conditioning central units is of considerable interest in this connection. A number of gas retailers are now promoting the sale of these units, although they have been in production on a substantial scale only since early 1958.

Houston Corp. has been recently quoted on a "when issued" basis in the over-counter market around 19.

Vast Resources in Ocean Water

By ROGER W. BABSON

Travelling to Africa by ship reminds Mr. Babson of vast mineral wealth in salt water waiting to be tapped and the "gold mine" possibilities of waterfront properties. He mentions current salt water extraction efforts by Dow Chemical and Merck companies and, also, potential application of treated salt water for irrigation purposes.

Although ocean water is now of no use for drinking or household purposes, it has much mineral wealth. One cubic mile of sea water contains five million tons of magnesium. The magnesium in this sea water has heretofore been used largely for medicinal purposes; but now it is being extracted from the ocean for the construction of airplanes. It has the best combination of strength and lightness of any metal. It has been found that sea water also contains much bismuth, bromine, and iodine, as well as sodium and other salts. The Dow Chemical Company has a large plant at Freeport, Texas, for the extraction of these minerals from sea water. Merck & Company of Rahway, New Jersey, is also experimenting along this line. This is an industry which is sure to grow; but a right location is essential. Harbor water is too impure, hence a factory to process sea water should be built out on a promontory in clear ocean water. The plant should be located so that the natural ocean water can come in on one side of the promontory and the treated water pass out on the other side, thus avoiding mixing of the treated and untreated water.

Roger W. Babson

There are also plants where the sea water is treated to secure fresh water. This is now an expensive process; but the business is growing. As more economical methods are discovered for extracting the salt, the treated water will be used for irrigation. The soil of deserts is especially rich because the rains have never washed the minerals away from it. Hence, when such dry land can be irrigated with either fresh water or treated ocean water, the soil produces most marvelous crops. Let me add here that while land enjoying normal rainfall is constantly losing its mineral and other values, yet these minerals are being carried down the rivers into the oceans, which are constantly increasing their mineral content. My ship, now enroute to

Africa, is in the midst of great potential wealth.

Suggestion to Real Estate Agents

Real estate offices can be of great benefits in a community. Many real estate offices are only order takers—they merely rent or sell vacant property, doing nothing constructive themselves. Some real estate offices, however, buy land and construct houses which they sell. Others try to do everything from which they can get a dollar rather than specialize in any one type of business. The future of most communities is dependent upon the people in the real estate business. These real estate people determine whether a city will stagnate, or whether it will constantly grow. I wish all in the real estate business would get the vision of their possibilities, opportunities, and especially their responsibility, to everyone in their community.

Tremendous opportunities exist in territories through which the new national highways are to be built. Land extending between these highways and the acean or lakes or rivers should be the first to sell. A bright real estate man would be inclined to specialize in waterfront property and not bother with any other kind. He would try to make arrangements with young people in scores of other communities who would also like to concentrate on waterfront properties. He would then attempt to unite them in an Association which would do national advertising of waterfront properties. I repeat—this includes oceanfront, riverfront, and lakefront. Such property holds the greatest opportunity today for growth and profit. The best "gold mines" today are not found underground; but rather are to be found on the surface, bordering bodies of water.

Why I Am Going to Africa

One purpose of my trip is to study the fabulous banks of Africa. While Africa is rich in uranium, copper, and other minerals —not to mention diamonds, or wool—Africa is primarily noted for its gold. Over one-half of the Free World's gold now comes from "darkest Africa." Let me remind readers that mining the ground for gold and other minerals will constantly decrease; but mining the ocean for valuable minerals will constantly increase. As I plow through this ocean for 17 days, I am constantly reminded of this article and of the one a week ago.

With Trust Securities

MAHTOMEDI, Minn. — Trust Securities Corporation announces the appointment of Edward D. Johnson as a representative of the firm in the states of North Dakota, South Dakota, Nebraska, Minnesota, and Iowa. Mr. Johnson has had a broad experience in the wholesale and retail end of the mutual fund business and was previously associated with John G. Kinnard & Company.

Mr. Johnson will make his headquarters at 1141 Mahtomedi Avenue.

Joins Lloyd Arnold

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Robt. C. Monroe has joined the staff of Lloyd Arnold & Company, 364 North Camden Drive. He was formerly with Grover Fillbach and Hill Richards & Co.

Now With Pitser Co.

(Special to The Financial Chronicle)

RALEIGH, N. C. — Robert L. Hoffman is now with Pitser & Company, 617 Hillsboro Street.

Frank X. McGough

Frank X. McGough, partner in McGough & Schuman, New York City, passed away Oct. 8.

British Wage Inflation Resumed

By PAUL EINZIG

Hopeful signs that the British post-war inflationary spiral might be ended and might even become reversed are premature according to Dr. Einzig who fears the resumption of wage-price inflationary spiral will follow the wage increase recently awarded the Engineering and Shipbuilding Unions. He notes that the employers' unconditional surrender has been accepted as a matter of course by the British press and the public. Believes government and employers have allowed themselves to be frightened into reverting into inflation as a smaller evil compared with a recession at a time when England was about to benefit from perceptible cost of living decline.

LONDON, England — Thanks to the stringent disinflationary measures taken a year ago it looked for some time as if the fear of an acute depression had brought the trade unions to their senses. Their wage demands were relatively moderate and were not pressed too aggressively. This relatively conciliatory tone gave way, however, to a more aggressive attitude as a result of the termination of disinflationary measures during the Summer. It did not take long for this effect of the change in British monetary policy to become evident.

Paul Einzig

At the beginning of October the Engineering and Shipbuilding Unions were given a wage increase of 4%. This constituted an unconditional surrender on the part of the employers. In most wage agreements during recent years there was a provision under which the Trade Unions agreed not to demand a further increase for 12 months. Although the engineering employers made an attempt to insert such a provision in the present agreement, the trade unions rejected this condition and the employers gave way.

The direct result of this agreement is an inflationary addition to consumer purchasing power amounting to some £50 million a year. The increase could not be justified on any conceivable ground. It is true, the cost of living has risen somewhat during the past 12 months, but nothing like 4%. In any case, at the time of the negotiations of this agreement the trend has turned distinctly downwards. Productivity in the industry declined during the past 12 months, judging by the fact that the output declined to a larger degree than the number of those employed in the industry. Profit margins in the industry tended to decline, and the volume of unfilled orders was distinctly lower than 12 months ago. There has been a perceptible decline in the demand for capital equipment, and this decline is likely to continue, judging by the downward trend of industrial investment plans. Even if the present mild recession were to become reversed immediately, it would take some time before the elaboration and adoption of new capital investment plans could result in an actual increase in orders for equipment.

The addition of £50 million to consumer purchasing power is sheer unmitigated inflation. Total output of goods is down, so that the increase in purchasing power cannot be justified on the ground of having to provide the consumer with additional purchasing power so as to enable him to buy up the increased output. The indirect effect of this wage increase is likely to exceed many times its direct effects.

The unconditional surrender by the employers was accepted by the British Press and by public opinion as a matter of course, presumably because of fears of a business depression. The terms of the agreement and their reception are calculated to provide the utmost encouragement for other trade unions to put forward excessive wage demands and to press them to the utmost degree. Judging by the attitude of the engineering employers, they are not likely to encounter unduly ... resistance. By the time the new round of wage increases is completed the additional purchasing power is likely to be something like tenfold of the £50 million conceded to the engineering unions.

In such circumstances a reversal of the decline in the cost of living will be inevitable. Hopes that the decline in the price of imported raw materials and food stuffs will become translated into a lower cost of living index have to be abandoned. Even during the period of relative moderation in the attitude of trade unions the substantial decline in import prices was only allowed to produce a very slight effect on the cost of living. The difference was absorbed by the unwarranted increase in wages. Now that the upward trend of wages is becoming accentuated in the absence of further fall in import prices the rise in the cost of living is bound to be resumed.

Until recently there were some hopeful signs that the postwar inflationary wage price spiral might after all be brought to a halt and might even become reversed. During the spring and Summer of 1958 there were some quite substantial cuts in retail prices by chain stores and other business firms. There was an inclination on the part of manufacturers to finance increasing costs out of profit margins rather than add them to the prices of their goods as a matter of course. Had the trade unions moderated their greed only a few months longer there might have been quite a perceptible decline in the cost of living for the benefit of organized labour and the rest of the community.

The trade unions were determined, however, to secure all benefit to their members to the exclusion of the rest of the community, and indeed at the expense of the community. As a result of this short-sighted selfishness hopes of a reversal of the inflationary trend have now dwindled to vanishing point. It seems that the Government and the employers have allowed themselves to be frightened into reverting to inflation as a smaller evil compared with a business recession. They fail to realize that the trade unions have at least as much cause to fear a recession as employers or the Government, so that it was sheer bluff on their part to hold out in face of the growing risk of a recession.

There is now a very real danger that Britain might get the worst of both worlds. Unearned wage increases tend to create inflation, and, since many firms are by no means certain whether they would be in a position to add the increased cost to the sale price of their goods, it also tends to discourage an expansion of production, especially as far as capital goods are concerned. The continued increase in unemployment during the past month shows that wage inflation and business recession can run concurrently.

What Price Current Income?

By LUKE S. HAYDEN

Vice-President and Secretary, Syracuse Savings Bank, N. Y.

Mr. Hayden terms a fallacious investment approach the over-emphasis by non-professional investors on a safe high rate of current return. Cites the results of investment programs in the categories of current income and growth, with a substantially greater investment achievement shown by the latter. Concludes such relative results will continue permanently.

It seems to be a fact, though a strange one, that doctors, as a group, are greatly concerned when making an investment with what will be the **current** rate of return on the funds they expend. This observation is strange because doctors practice a profession in which, under normal conditions the practitioner's income should show outstanding growth. Consequently at the early stages of a doctor's investment program, the modest supplement to current professional income achieved by purchasing high yielding securities is insignificant, and at the middle and later stages of his professional career, the doctor's income generally places him in such a high income tax bracket that additional **cururent** income from investments should be totally undesired.

Nevertheless, apparent validity **of this current** income type of thinking is emphasized again and again where non-professional investors make investment decisions. Only recently, in the June 1958 issue of "The Exchange," house organ of the New York Stock Exchange, there is a lead article, entitled, "A. T. & T. is Big Favorite with Readers." On the basis of investment objectives ranked according to: (1) Safety of Principal; (2) Dividend Income; (3) Future Growth; (4) Accumulation under M. I. P. (the Stock Exchange Monthly Investment Plan); and (5) As a Gift to a Minor, the common stock of A. T. & T. was considered by 5,425 readers of "The Exchange" as the favorite stock for objectives 1, 2, and 5.

With regard to objectives 3 and 4, it placed tenth and fifth respectively.

Presumably it would be difficult to argue with the composite opinion of 5,425 investors, but, as Al Smith used to say, "Let's look at the record." Two tests of the validity of the thinking which results in recommending a stock such as A. T. & T. because of its long term consistent high current return should be sufficient at least to raise serious questions as to the accuarcy of such thinking. First assume that $10,000 had been invested at the rate of $3,333 on the last day of 1946, 1947, and 1948 in A. T. & T. and also $10,000 had been similarly invested in General Telephone Common Stock. By the end of September 1956, the market value of the investments plus the dividends received from 1947 would have been as follows: A. T. & T. $16,755, General Telephone $36,315.

Or again, assume that in December 1947, one share of A. T. & T. were sold at the then price of $152 and the proceeds invested in any one of the 10 public utility stocks listed below. As of the end of September 1956, A. T. & T. was selling at $173 per share and was paying $9 per share in dividends. The alternative investments showed the following values and dividend incomes:

No. Shares	Stocks	Market Value	Total Div.
11.25	Central Illinois Electric & Gas	$354	$18.00
12.50	Columbia Gas System	212	11.25
8.00	Columbus & Southern Ohio Elec.	244	12.80
4.72	Consumers Power	228	10.38
6.00	Dayton Power & Light	288	13.20
13.00	El Paso Electric	552	23.40
12.00	General Public Utilities	456	21.60
5.50	Northern Natural Gas	258	14.30
9.00	Public Service of Colorado	409	16.20
8.00	Public Service of Indiana	296	16.00

The number of shares represents the September, 1956 adjusted number of shares acquired with the proceeds of the sale of one A. T. & T. share in 1947.

The foregoing illustrations should certainly give one pause who would invest his funds primarily to obtain a safe high rate of current return. Yet, despite these clear demonstrations of the fallaciousness of such an investment approach we find that 5,425 of the readers of "The Exchange" magazine in the year of Our Lord 1958, would buy or recommend the purchase of such a stock.

In order to bring up to date the importance to the investor of buying his securities with emphasis on the future in mind rather than total preoccupation with the concept of cururent return, the author has compared the results of two $60,000 investment programs undertaken during 1952 and brought down to mid June 1958. In the one case, $60,000 was invested in growth stocks at average 1952 prices and in the other case a like amount was invested in income stocks also at average 1952 prices. In order to avoid hindsight the two groups of stocks were selected from two larger compilations which in turn were developed on the basis of their pre-Korean price recovery from the 1946 stock market decline.[1]

In this presentation the importance of attemtping to select growth type common stocks is clearly demonstrated. Market value of the growth stocks during the period showed a gain of 125.25% as opposed to a market appreciation of only 84.71% for the income stocks. Income on the growth stocks rose 64.00% during the test period versus a gain of 25.7% for the "income stocks" in view of the income growth experience.

Finally, it is worthwhile to call attention to the fact that the terminal date selected for this test, mid June 1958, should have been particularly favorable to the income stocks, two General Foods, and National Biscuit were selling at all time high prices in mid June, and the four remaining income stocks were selling only fractions to two points from their all time high prices. On the other hand, the growth stocks had all achieved their high prices in the 1956-57 period, with the exception of Merck, and as of mid June were selling from 2% to 30% below their previous highs. Despite this handicap, the growth stock portfolio had shown a substantially greater investment achievement over the period.

In conclusion, this current examination of the intelligence of growth stock investment versus income stock investment appears to indicate clearly that for the long term common stock investor the purchase of a portfolio of growth stocks will produce markedly better investment results over a period of years than would a portfolio of stable income stocks.

[1] See: "The Relative Vulnerability of Growth and Income Stocks" by Edward Douglas Howard — Analysts Journal, August 1955, pg. 19.

TABLE OF COMPARATIVE PERFORMANCE

$60,000 Growth Stock Portfolio vs. $60,000 Income Stock Portfolio

	Aver. Price 1952	No. of Shrs. Per $10,000 Invest.	Div. Rate 1952	Annual Rate of Div. Income 1952	Adjusted No. of Shares 6/13/58*	Market Value 6/13/58	% Increase in Market Value Over $10,000	Latest 12-Month Div. Rate	Estimated Div. Income 1958	% Increase of Div. Inc. Over 1952
Growth Stocks										
Continental Oil	$65¾	152	$2.50	$380.00	304	$16,188	61.88%	$1.60	$486.40	28.00%
Crown Zellerbach	57½	174	3.00	522.00	522	26,622	166.22	1.80	939.60	30.00
Dow	113½	88	2.40	212.20	293	16,408	64.08	1.20	351.60	65.69
E. I. Du Pont	88½	113	3.55	401.15	113	20,580	105.80	6.50	734.50	83.09
Int'l Business Machine Corp.	216	46	4.00	184.00	107	38,574	285.74	2.60	278.20	51.20
Merck	30¾	325	0.80	260.00	325	16,778	67.78	1.30	422.50	62.50
				$1,959.35		$135,150	125.25%		$3,212.80	64.00%
Income Stocks										
Amer. Tobacco	$60⅝	165	$4.00	$660.00	165	$14,376	43.76%	$5.00	$825.00	25.00%
Cleveland Electric Illuminating	52⅛	192	2.60	499.20	384	15,216	52.16	1.60	614.40	23.08
General Foods	47⅜	211	2.40	506.40	422	25,953	159.53	2.00	844.00	66.67
Kroger	37	270	1.90	513.00	292	22,776	127.76	2.00	584.00	13.84
National Biscuit	32⅝	306	2.00	612.00	306	15,530	55.30	2.20	673.20	10.00
National Dairy Products	54⅜	184	3.00	552.00	368	16,974	69.74	1.80	662.40	20.00
				$3,342.60		$110,825	84.75%		$4,203.00	25.70%

*Represents increases in number of shares held resulting from stock dividends and stock splits.

A. W. Dougherty Co. Now a Partnership

PHILADELPHIA, Pa. — Announcement has been made of the formation of a general partnership, A. Webster Dougherty & Co., 1421 Chestnut Street to engage in the municipal bond business. Partners are A. Webster Dougherty, Jr. and Constantin G. Alio.

With W. R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ronald L. Garadedian has been added to the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Connecticut Brevities

New factory construction in Connecticut continued at a rapid pace during the first six months of 1958. During that period the value of contract awards for new plants and additions amounted to $8,869,000. Some 82 separate projects in 30 Connecticut communities will provide 625,000 square feet of floor space. The new $5,500,000 **Fuller Brush Company** plant in East Hartford is not included in the above total. The one story Fuller plant will be built on a 60-acre site and will provide 360,000 square feet of space for manufacturing, warehousing and administrative purposes. It is scheduled for completion in the Fall of 1959.

* * *

Directors of **Riverside Trust Company** have voted to increase the bank's capital $169,000 by issuing 16,900 new shares of $10 par common stock. The proposal will be presented to stockholders at a special meeting Nov. 6. If approved, the new stock will be offered to stockholders in the ratio of one new share for each five shares held at a price of $25 per share.

* * *

A new group which will study ways of aiding Connecticut small businessmen has recently been formed. The committee's immediate concern is the effect of the Federal Small Business Investment Act of 1958, enacted by Congress in August, on the continuing efforts of the Connecticut Development Credit Corp. to aid small business. This corporation, sponsored by and financed by Connecticut banks and certain insurance and public utility companies, for several years has made small business help available to Connecticut companies. The Committee will determine how to get the maximum help for Connecticut small business in view of the new Federal legislation, which may supplement the work which the Connecticut Development Credit Corp. is already doing.

* * *

Wallace Silversmiths, Inc., of Wallingford, has announced the acquisition of the assets of the Tuttle Silver Co., Inc., of North Attleboro, Mass. The 70 year old Massachusetts firm specializes in the reproduction of heirloom pieces. Products of the Tuttle Company will be manufactured in Wallingford by the Tuttle Division of Wallace Silversmiths.

* * *

CGS Laboratories, Inc. of Ridgefield has announced contract awards totaling over $1,200,000 for various types of electronic equipment, including Morse-to-Teleprinter Code Converters and Panorama Receivers.

* * *

The world's largest manufacturer of pencils, **The Eagle Pencil Company**, has transferred its operations from New York City to Danbury. The 102 year old company is building a new 300,000 square foot plant in Danbury and expects to be in production in its new quarters early next year. In addition to pencils of all types, Eagle will manufacture leads for automatic pencils, erasers, art sets, protractors, compasses and allied products. The working force will be approximately 500.

* * *

The Maxim Silencer Co. of Hartford, a subsidiary of the **Emhart Manufacturing Co.**, recently received contracts totaling $433,467 for the production of 24 portable sound suppressors for use on Navy jet aircraft and 654 tank engine noise suppressors for the Army M47 tanks.

* * *

Curtis Products Company announced plans last month for a new 10,000 square foot, one story building in Waterbury. The company has 25 employees and supplies parts to the appliance, electronic, instrument, timing, firearm and other industries. The new location will provide more than twice as much floor space as the company now occupies and will allow for a planned expansion and an eventual doubling of the working force.

* * *

As a result of a sharp increase in portable typewriter sales **Royal-McBee Corp.** recently added 200 employees to the Hartford work force. Additional workers will be hired or re-hired bringing total Royal employment to 5,000 in the Hartford area.

S. E. Evans Now With W. H. Newbold's Son

PHILADELPHIA, Pa.—The investment securities firm of W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce that Shepley E. Evans has become associated with them. Mr. Evans has been active in the investment securities business since 1939 when he joined Swain & Co., Inc. He resigned as Secretary of that corporation on Oct. 1, last.

Now With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Kenneth D. Russell has become associated with Sutro & Co., Van Nuys Building. He was formerly with McDonald, Holman & Co., Inc. and Daniel D. Weston & Co.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel Nadler has joined the staff of Walston & Co., Inc., 550 South Spring Street. Mr. Nadler was formerly with McDonald, Holman & Co., Inc. and Boren & Co.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — F. Allan Winchester has become affiliated with Walston & Co., Inc., 595 East Colorado Street. He was formerly with J. Logan & Co.

With Walls Associates

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John T. Marler, Jr., has become connected with Walls Associates, Inc., Candler Building.

Our Federal Highway Program: Where Is the Money Coming From?

By RUSSELL E. SINGER*
Executive Vice-President, American Automobile Association
Washington, D. C.

AAA head gloomily forecasts cutbacks and delays in Federal Highway program by 1960 unless present financing schedule is changed. Mr. Singer disagrees with the proposal of Budget Director Stans to increase the gasoline tax. Instead he recommends transferring money from the national budget to the highway trust fund since the road plan is tied to national defense, and passage of state legislation for billboard controls so that the states could qualify for an additional one-half per cent of aid for interstate routes. The author strenuously opposes provision providing for reimbursement of utilities, mass transportation industry and toll roads.

We are now confronted with new and more complex problems than ever before, particularly from the standpoint of highway financing.

Russell E. Singer

While we proudly boast of our highway system, the fact is that for over a decade this system has been lagging in meeting the demands of our ever-expanding population, motor vehicle registration and the economy of the country. And it was during this period that highways took on a new meaning as regards the civilian and military defense needs of our country.

It was to meet these needs — economic and defense — that the Federal Aid Highway Act of 1956 was passed—legislation which was historic in its significance, and for which the AAA and affiliated clubs can take substantial credit. This Act departed from traditional Federal Aid policy in a number of important respects:

Federal Highway Program

(1) It greatly increased the responsibility of the Federal Government in the supervision of highway standards and financing, while leaving to the states the responsibility for construction and maintenance — thus preserving that essential "partnership" relationship between the states and the Federal Government.

(2) It established a Highway Trust Fund, earmarked for this Fund revenues from certain automotive taxes, and provided that all Federal Aid for highways on the regular Federal Aid and the new Interstate Systems be financed from this Fund. Thus, for the first time we have definite linkage as between certain automotive tax revenues and Federal Aid financing until the year 1972.

(3) It provides that, "because of its primary importance to the national defense," the name of the System shall include the word "Defense"—the official name being "National System of Interstate and Defense Highways." Congress further declared that "one of the most important objectives of this Act is the prompt completion of the Interstate System."

(4) It provides that the construction standards for the Interstate System shall be adequate to accommodate "the types and volumes of traffic forecast for the year 1975." These forecast call for a motor vehicle registration in 1975 of over 100 million vehicles and one trillion motor vehicle miles.

(5) It provided that for each fiscal year the first monies to be taken from the Trust Fund shall be for the regular Federal Aid systems — primary, secondary and urban—the current annual Federal rate of expenditure for this system being $900,000,000 on a 50-50 matching with the states. Provision was then made for the financing of the Interstate System on a 90% Federal share, 10% state share, over a period of 15 years. This is also the period estimated for completion of the System, based on original cost estimates of $27 billion.

However, the new cost estimates add $10 billion to the original estimates, bringing total estimated cost to $37 billion.

The new 86th Congress, and some of the states, will be called upon to provide additional funds to finance the Interstate System, and to meet matching requirements. Where is the money coming from? Under the present schedule of financing we are definitely faced with a suspension of further work on the Interstate System by the calendar year 1960 unless money can be transferred from the general funds to the Highway Trust Fund to make up the difference between anticipated revenue and expenditures under the construction schedule provided for in the 1956 Act. It does not appear likely that such transfers will be permitted because under the present tax schedule it will not be possible to return these "borrowed" funds and at the same time meet the increased construction costs. These are some of the hard financial "facts of life" with which we are confronted.

Disagrees With Some Congressmen

Already some Congressmen are advocating that revenues from all automotive excise taxes be placed in the Trust Fund, increasing it by about one billion dollars annually. The effect of this move would be to "freeze" all automotive excise taxes for at least 15 years. AAA policy calls for the repeal of the excise taxes on private automobiles, their parts and accessories.

Others have advanced the suggestion that instead of completing the Interstate System in 15 years, we should spread it to 20 or 25 years—completion being based on availability of funds.

Is it not reasonable to claim that because of the very important contribution the Federal Systems make to the general welfare, civilian and military defense of our country, the Trust Fund should receive substantial appropriations from the Federal Treasury? Why not have a substantial part of the defense appropriations earmarked for the Highway Trust Fund? Why is only one segment of the economy, the motor vehicle user, called upon to pay the entire cost of Federal Aid for highways?

And why is the period of completion of the Interstate System based entirely on the availability of highway user tax funds? Competent highway officials tell us that given the necessary funds, the Interstate System of 41,000 miles could be completed in six to seven years. Major General Paul F. Yount, Chief of Transportation of the Department of the Army, testifying before the Senate Roads Subcommittee in 1955, urged that the Interstate System, so vital to the national defense, be completed within approximately 10 years. These highway officials assure us that all rights-of-way can be acquired, all engineering studies can be completed, and materials, equipment and contractors' facilities would be available, so that the System could be completed in about one-third of the present time estimates.

Must Face Facts Squarely

The time has come when this country must fact up squarely to the fact that public funds—funds created by taxes on the general public — must be used to help build the kind of highways needed for safe and efficient transportation and for our civilian and military defense.

We are advised that the dangers of atomic warfare, particularly the dangers of fall-out, have placed added emphasis upon the importance of highways in moving people and defense materials. To tax only the highway user for the creation and maintenance of these essential facilities is wholly unfair. For this reason we applaud the Congress for providing in the 1956 Act that the Secretary of Commerce be directed to study "any direct and indirect benefits accruing to any class which derives benefits from Federal Aid highways, in addition to benefits from actual use of such highways." Unfortunately, the study will not be completed and available to Congress until 1961; in the meantime we have work to do in insisting that funds, other than motor vehicle taxes, be made available for essential highway construction.

Opposition to Reimbursement of Utilities

Another important role which we are called upon to play is in making effective our policy in opposition to the use of Federal or state highway user funds for repayment of the cost of relocating utilities on public highway right-of-way.

Here we are dealing with an extremely important state and national issue, not only because of the money that is involved (some estimates go as high as $3 billion) but because it hits directly at the problem of diversion.

The 1956 Federal Aid Highway Act provided that whenever a state shall pay for the cost of relocation of utility facilities (including publicly, privately and cooperatively owned) necessiated by the construction of a project on a Federal Aid highway, Federal funds may be used to reimburse the state for such cost in the same proportion as Federal funds are expended on the project.

As has been forecast by the AAA, adoption of this provision brought a whirlwind of legislative activity in the states as the utility interests sought reimbursement. Since the 1956 Act was signed, bills to authorize or liberalize reimbursement to utilities have been introduced in 43 states. In 17 states, the legislation was either defeated or died on the way. In six states, legislation was passed but vetoed by the Governor. In three states, decision was postponed by turning the matter over to a legislative study committee. But in 16 states, utility reimbursement bills were enacted into law.

It is certain that utility interests will be lobbying strenuously for reimbursement legislation when nearly all of the state legislatures convene next year. As before, we can expect to hear again the pat claim that so long as Uncle Sam reimburses the states to the extent of 90% of the cost of relocating utilities on the Interstate System, and 50% on the ABC Federal Aid Systems, the utilities should be reimbursed. Not once, to our knowledge, has it been made clear that any reimbursement by the Federal Government comes out of the pockets of the motor vehicle users, more particularly the passenger car owner, because all reimbursement money is taken from the Highway Trust Fund and not from the general Treasury.

Now we are confronted with a new problem in this field, as a result of a recent decision by the Minnesota State Supreme Court in a case involving the Minneapolis Gas Company and the Commissioner of Highways in Minnesota. In spite of the fact the Minnesota was the first state to adopt a constitutional amendment to prevent diversion of motor vehicle tax revenue, the Court held that reimbursement to the utilities is not special legislation in contravention of the State Constitution, nor in violation of the anti-diversion amendment.

The Court went further and made these significant declarations:

(1) The use of highway rights-of-way by utilities for locating their facilities is one of the proper and primary purposes of which highways are designed, even though their principal use is for travel and the transportation of persons and property.

(2) In view of the fact that the transmission of utility services is one of the general and primary purposes for which highways are designed, it would be unrealistic to construe the broad language of the Constitution so narrowly as to prohibit the legislature from authorizing the use of highway funds for the relocation of utility services as a proper cost of highway construction, reconstruction, improvement and maintenance.

The Minnesota decision has significance beyond the borders of the State. Utility lobbies in every State undoubtedly will try to use this decision in support of their claims that they occupy the right-of-way as a matter of inherent right, and should be reimbursed out of the Highway Fund for all costs for relocation of their facilities.

We have no quarrel with the utilities. Many of our best friends and AAA club leaders are associated with this indispensable industry—an industry which stands before the world as an outstanding example of public service and the efficiency of American private enterprise.

If by law and constitutional right they are recognized as one of the users of the highway right-of-way, is it unreasonable to ask that they pay their fair share of the cost of acquisition and maintenance of these highway rights-of-way?

Why, we ask in all conscience, should only one of the users of the right-of-way (the motor vehicle owner) be required to pay practically the entire cost of acquisition, construction, reconstruction, maintenance, and now in addition, pay the cost of relocating all utilities?

The crux of this problem is the Federal law which encourages adoption by the states of reimbursement legislation. We seek

Continued on page 29

*From a talk by Mr. Singer before the 56th Annual Meeting of American Automobile Association, Chicago.

Conformity Perils Our Society

By MELVIN H. BAKER*
Chairman of the Board, National Gypsum Company
Buffalo, New York

Noted industrialist charges "drift toward conformity, security and the general avoidance of risk is a peril to our society." Mincing no words that "conformism" threatens our ability to grow and meet the Communist challenge, Mr. Baker states "we need men with courage . . . more idealists, more zealots . . ." and cites Admiral Rickover and General Billy Mitchell as the kind of men America needs. Views our stubborn belief in sanctity of the individual as one of the most potent weapons we have in our idea warfare; states we should be natural allies of those people throughout the world who are seeking a better life; and comments on our educational and moral requirements

Life 50 years ago was a great deal different than today. There are many of my contemporaries and, perhaps some younger men, who look back to that placid period in American history. Then there were no great international problems. Life was sure, steady and secure. Places like Iraq, Iran and Egypt were something that smacked of Arabian nights.

Melvin H. Baker

This age in which we live, and which young men will inherit, is an exciting one. It has been described as a period of revolution, of anxiety—and an age of tension. Perhaps this is true, but it is none the less exciting. It is vibrant and alive. To be sure, it is not an age for the faint-hearted.

I suppose there are many people who, if they had a choice, would prefer to have lived in the tranquility of the past age.

However, if I had a choice, I would prefer to be just starting out today instead of 50 years ago. You might question why I should say this when the company which I founded has grown from a small, one-product, one-plant operation to one of the nation's largest producers of building materials. One might say that was an age of greater opportunity.

Greater Opportunities Today

I believe there is far greater opportunity today than 50 years ago. The tremendous thrust that propelled America into its position as the greatest industrial nation in history has not subsided.

This present age offers opportunities the like of which could not have been foreseen 50 years ago.

American business today wants more eager, hardworking young men than it ever needed before. The avenue to the top is wide open. There are opportunities opening up daily for new businesses for the courageous and ambitious.

But there are a number of challenges facing America which must be successfully met if young men are to fully capitalize on the many opportunities ahead.

The first of these, I believe, is in education.

Educational Comparisons

Russia's startling strides in the race for space have shocked Americans into a soul-searching reappraisal of American education.

Many remedies have been offered to cure our scientific lag. Some people even are suggesting that we copy the Soviet system of education. The country is being told that we must put much greater emphasis on science in the curricula of our schools. I certainly agree with this.

However, I would like to issue a note of caution. It is my feeling that if we rushed into a scientific frenzy, we could turn this nation into a scientific monster. Conjure if you will the ghastly specter of two great nations with all the power to literally destroy each other — untempered by humane virtues.

In his writings, Dr. Merle A. Tuve, director of Carnegie Institution, recently said:

"Knowledge is power and technology is power—but the calm, spiritual strength of the man who knows what he stands for, whose value system is in the very fiber of his being, is the man who will successfully and constructively direct the uses of knowledge and the goals of technology. These men are the men we need, not just more scientists and engineers."

This leads into what may be termed a second challenge — the challenge of increased leisure.

We have all read about the advent of the four-day week. In many plants and offices, the 40-hour week is no longer the standard. What will Americans do with all the increased leisure?

Better Leisure Time

It would seem that we must learn how to use leisure constructively. Perhaps the challenge of leisure is to create a new and greater culture. Americans seem to exhibit many of the elements which in ages of the past have produced great cultures. Among these elements one might list wealth, leisure, education and energy. As the publishers of the book "Horizon," noted recently: "On all sides we see evidence of a cultural explosion and, perhaps, the dawn of our golden age."

But we must beware of any tendency to lose our will to work. We must beware lest we become too soft. Hard work was essential in making America the greatest nation of the earth, and we'll need plenty of it in the years ahead.

Another challenge could be called the age of revolution. The American revolution touched off a chain reaction that is still reverberating around the world. People around the globe now realize that they can have a freer and better life.

But is is a sad paradox that our nation which, in itself, was spawned in revolution, is becoming conservative and hesitant when it considers the revolutionary outlook of others who aspire to change.

Should Be Allies

I believe that we should be allies of those people throughout the world who are seeking a better life. If we do not, the Russians will. They will twist the nationalistic aspirations of these people and win them over. Here the communists have thrown down a great challenge which I would speak about.

Throughout the world, there is a great battle for men's minds. The Russians with their world-wide propaganda are seeking to win men over to their way of thinking.

We in America have a great advantage in this struggle. We can present to the world a political and social system which has furnished a better and freer life.

This struggle is bound to be a bitter one. We Americans must do a better job in warning the people of the uncommitted nations of this insidious propaganda.

We must show them the advantages of an open society. We must call upon all our state-craft and diplomacy, all our resources and our whole armory of ideas. And, here at home, we must continue to keep America an "open society" where young men with ability and willingness to work can rise to the top no matter what their race, religion or nationality.

Opened Opportunities

We must keep this country the land of opportunity. We must continue to show by example that our system is best because it provides an **always open avenue to opportunity** for young people with ambition.

The wave of enthusiasm that spread when it became apparent that Alaska would be admitted to statehood seemed to symbolize the kind of thing we must keep alive. It is that which the frontier offered to young men in past years—the promise of a better life for those who were willing to work for it.

Stalin long ago summed up the basic task which the Communists posed for the Russians. It was that of becoming the most powerful industrial nation in the world.

As recently as last July, Communist boss Khrushchev told a rally in East Germany that Russia will defeat capitalism without war. In a speech with direct thrusts at the United States, the Soviet Premier cited the American recession as proof of his claim.

This is a challenge that we maintain a strong economy here at home.

It is essential that we keep the free enterprise system healthy and that we resist further inroads into it. Here is where young men can be especially helpful. They can fill the ranks of American business and keep infusing our system with new life and new ideas.

This leads me into the challenge of individualism. It is my belief that our ability to grow and to meet this challenge will be curtailed if we permit what I have called conformism to dilute the initiative of the individual.

Conformism and Individualism

One of the most potent weapons we have in our idea warfare is our stubborn belief in human values—sanctity of the individual. The Communists are ruthless toward individuals in pursuit of their collective aim.

I believe that the drift toward conformity, security and the general avoidance of personal risk is a peril to our society. One of the great problems today is that the idea of keeping one's nose clean has permeated all levels of society. There is a distinct tendency to identify progress with group action. And yet, no group is better than its best individuals.

I issued a warning of the threat from conformism in business some months ago. My remarks at that time caused quite a storm but, I hope, did some good.

To meet the challenges of Communism, we need men with courage. I believe we need more idealists, more zealots like Admiral Rickover and General Billy Mitchell.

One of the greatest of all is the challenge to preserve our freedom. It is our greatest asset and one that holds great promise for us in winning against communism. But recent polls of teenagers and college students have shown that fewer than 2% of those questioned agreed with all the provisions of the Bill of Rights. Assaults on American freedom are becoming more frequent than is safe.

Not only must we keep the flames of freedom burning brightly at home, but we must do all that we can to see that they spread throughout the world.

As Russia continues to emphasize education, they will be confronted with more problems of literary and artistic expression, a desire for better relations between individuals, and spiritual problems such as man's ultimate destiny in the world.

These changes will not come in the immediate future, and until they happen, the Soviets will remain a deadly threat to the very existence of our country.

Rebuild Our Cities

A very great challenge facing America is that of rebuilding our old, tired cities. All over America, cities are awakening to the threat posed by slums, blight and fast-growing urban areas. They are becoming aware that the greatest nation in the world cannot afford to have slums in its midst.

Americans are becoming aroused by the problems posed by increased traffic, mushrooming suburbs and decaying downtown areas. A frontal assault is being made on these problems by many American businessmen. I am happy to be active in this great movement.

The problems of urban renewal and redevelopment are enough to tax the mettle of any civic-minded young man. And they are the ones who finally will inherit our cities. It should be they who will play a part in the assault on these growing metropolitan problems.

Our Moral Challenge

And this brings me to the conclusion of my paper. That is the moral challenge that faces America.

There are indications that Americans are enforcing self discipline. After an adolescent period marked by isolation, exploitation of natural resources and over-indulgence in material things, Americans are maturing to the obligations that come with power. Bills for foreign aid and extension of reciprocal trade agreements would never have gotten out of committee a few years back.

We seem to be waking up to our responsibilities as neighbors. A reassessment of our conduct with reference to our neighbor Canada and our Central and South American neighbors is taking place.

Americans have adjusted to the rude awakening that a nation so rich and powerful as the United States could not be universally loved and respected. We have learned not to panic as a result of crises around the globe such as those in Lebanon, Venezuela and Algeria.

There are evidences that Americans are developing a deeper and more permanent set of values. Some have said that reappraisal of American culture was precipitated by the soutniks. I believe the awakening that followed the sputniks accelerated a trend that began some time ago.

I think Americans suddenly realized that they were putting too much emphasis on tail fins and not enough on the hard, puritan traditions that help mold the moral fiber of this country.

It is possible that Americans are beginning to realize that any civilization that puts too much stress on the material aspect of life will disintegrate morally and spiritually.

The America of the future is in the hands of the young Americans of today. Will they meet the challenges of a dynamic, changing world?

There is ample evidence to suggest they will. I have great faith in our youth of today.

In thinking of the future, I would still hold to what Ralph Waldo Emerson said in the past century: "We think our civilization is near the meridian, but we are yet only at the cockcrowing and the morning star."

*An address by Mr. Baker at the dedication of the New Virginia Junior Chamber of Commerce State Office Building, Lynchburg, Va.

Form Atlas Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Atlas Securities Inc., has been formed with offices at 6505 Wilshire Boulevard to engage in a securities business. Officers are George H. Hildebrand, president and Murray J. Ross, vice president and treasurer. Mr. Ross was formerly an officer of M. J. Ross & Co., Inc.

Also associated with the new firm are Milton C. Miller, Jr. and Robert D. Bailin.

Edwin F. Beauchamp

Edwin F. Beauchamp, partner in Beauchamp, West & Stava, New York City, passed away October 9th.

Prisoners at Work?

"It is basic to every democratic institution, including ours, that members who enjoy democratic rights must assume democratic responsibilties, including the fundamental obligation of loyalty to the institution and of compliance with its laws. There is no right to engage, in the name of democracy, in activities designed to destroy or undermine the institution. There is an obligation to adhere to laws and policies democratically determined.

"Democracy certainly encompasses the right to have one's voice heard in the formulation of union policy, but the principles of loyalty require that the minority who have opposed a policy adopted by the union accept it as the policy of their union. While the right to advocate changes in such policy by constitutional procedures is safeguarded, the minority has the obligation, under democratic procedures, fully to support the union and its officers in implementing the expressed will of the majority until that policy is changed under democratic procedures."—From a resolution recently adopted by the United Steelworkers of America.

Let it be noted that these fine phrases do not even hint at the right that minority members should have of disassociating themselves from the union should circumstances in their judgment warrant such action.

Responsibilities of Bankers In This Inflationary Period

By WILLIAM A. BURKETT*

President of the National Association of Supervisors of State Banks and Superintendent of Banks in California

Wondering whether bankers possess the courage and leadership to face what he believes is a national, crucial problem, Mr. Burkett calls upon bankers to submit a constructive program to our nation's leaders to stop inflation. States American people should be most concerned with the preservation of the integrity of the American dollar and that the people look to bankers as the guardian of their money and life savings.

There is a problem about which our fellow-citizens look to bankers for opinions and leadership and to bankers for the courage and responsibility to speak out in these critical days.

William A. Burkett

From all parts of the nation, the superintendent of banks and the commissioners of banks have discussed this particular problem with me, a problem which affects your bank deposits, your capital ratios, the success of our nation's foreign policy, our missile and rocket program—an issue which demands the attention of the American people in every city, town, and hamlet the length and breadth of these United States; namely, the problem of inflation and the lack of effective leadership in Washington to do something about it.

We say as bankers and as bank supervisors, why should this issue concern us? Should we let those in Washington do our thinking for us? Many of our fellow-citizens look to their banker and to the bank supervisory authorities safeguarding their money, their life savings, as persons who by their very position should give leadership in helping to curb the most sinister and destructive problem of our time.

The important point is that mild inflation, whether deliberately sought or consciously tolerated by a nation, cannot be kept mild. As the people come to know that their government is accepting, or even seeking, a slow but steady depreciation of the dollar, they become aware that they are losing real purchasing power by holding their insurance policies, Savings Bonds, bank deposits, and other dollar assets. Increasingly, they will bid up the prices of real estate, commodities, and equities. What began as "creeping" inflation will become "running" inflation.

Is the Federal Government powerless to curb inflation and the depreciation of the dollar—a dollar which has depreciated 50% since 1940? If the government continues its "off-again, on-again" economic policies and continues to pay attention chiefly to foreign matters while neglecting our country's domestic problems, we soon will have a 25 cent dollar in this nation.

There is nothing with which the American people should be more concerned than with the preservation of the integrity of the American dollar. Remember it was Stalin who tipped his hand when he said: "He who would destroy a nation should first debauch its currency."

The time has come when we must all make a sacrifice of some of our particular political views and bring these dangers to a halt through expeditious action, by:

(1) A drastic reduction of government spending.

(2) Passage of adequate tax legislation.

(3) The appointment of a National Monetary and Financial Commission.

I submit that the President of the United States should immediately appoint a National Monetary and Financial Commission to study our financial system with the view of recommending appropriate changes in it. Immediate action is needed to curb inflation and halt the government's "spend and spend" philosophy.

The government last week announced the largest spending budget in our nation's history, written in the reddest ink—spending $5 billion more than it spent in the peak year of the hot war in Korea. Outgo is expected to exceed income by $12 billion.

We cannot squander ourselves into real prosperity. Certainly, an artificial prosperity can be created by borrowing to spend whether by individuals or governments. This is joyriding to bankruptcy. Gigantic budget deficits must eventually be paid for somehow, sometime.

There are only three ways to meet the unpaid bills of government. The first is taxation; the second is repudiation; the third in inflation.

Already our country is highly taxed.

Already our country is in the throes of heavy inflation. Our government today is in large degree financing its deficit by credits from banks and financial institutions upon the government's promise to pay.

I will not take your time to describe this spectacle of the government whirling from budget deficit to government borrowings, from borrowings to expanding bank credit, from bank credit to more government spending. This is one of the oldest and most dangerous expedients used by spendthrift governments.

If the history of the last 100 years teaches us anything, it is that inflation is more dangerous to the people than any other thing except war—and it all starts by inflating bank credit.

As bankers, we know there can be no device by which the people can escape payment for this spending. Here's where old-fashioned common sense cries out to be heard. Surely inflation must be halted and waste must be cut out of our government spending, and the Federal budget balanced, or we shall see one of these three horsemen — taxation, repudiation, or inflation — totally ravish the land. As bankers, we have the responsibility to help submit a constructive program to our nation's leaders.

In conclusion I offer a watchword: our government must stop inflation and restore a sound fiscal policy for our nation.

*From a talk by Mr. Burkett before the State Bank Division of the American Bankers Association, Chicago, Sept. 22, 1958.

From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans met at the White House recently and came up with a very good slogan. Then not being able to let well enough alone they added to it and ruined it.

Carlisle Bargeron

Their slogan was that the Democratic party is dominated by the left wing and the labor leaders. That is true, easily recognizable to anybody who wants to look the facts in the face. It should be worth a lot of campaign money.

But the Republicans couldn't leave it. They added "who are leading us down the road to socialism."

Now I wish they hadn't said that. It may be true and it may not be, but it is the same thing the Republicans have been saying for 20 years. And it has never got them a vote.

With the exposures of the McClellan committee it ought to be easy to show what a labor government would be. As a matter of fact the Roosevelt and Truman administrations should show that, and the control organized labor will exercise in the next Congress will far exceed anything they had over Roosevelt and Truman.

Walter Reuther will be one of the most powerful men in the country, and the record shows he is not a blushing violet about using it. Furthermore, you only have to look at Michigan to see how he will throw his weight around.

There is a man peddling some literature on Reuther in several states, notably California and Arizona. John Kasper, I believe, is his name. He has a pamphlet entitled "Know This Man, Walter Reuther." Kasper, it seems, has been mixed up in a lot of so-called divisive movements, so the Democrats are making quite an issue over the Republicans' use of this literature. It seems that in California Mrs. Knowland, wife of the Republican Senatorial candidate, bought up a block of the pamphlets. Now Knowland has repudiated them and Mrs. Knowland says it was all a mistake.

It makes no difference what Kasper's background is. He has been one of those violent pro-Americans and that is getting to be dangerous these days. But to my knowledge there is no reason why his pamphlet shouldn't be distributed. I assume it is a story of Reuther's background, how he went to Russia along with his brother early in the depression and went to work in a plant over there. He became indoctrinated in the Russian revolutionary technique. He wrote back about what a wonderful system he was working under.

He came back to this country just before the famous sitdown strikes and became one of the foremost leaders of them. That was the nearest thing to a revolution we have seen since the Civil War.

When he is asked now if he is a Socialist he replies "If feeding people, housing them and seeing that they have the necessities of life is socialism then I am a socialist."

But he defies any effort to label him. In the sitdown strikes he worked with Communists and was quite friendly with them for years afterwards. Then they started giving him trouble in his organization. He became an aggressive anti-Communist and finally succeeded in running them out of the AFL-CIO.

He is not a socialist. I doubt he has any political philosophy except that he wants to be boss and boss he is determined to be. The Republicans should definitely make labor bosses the issue with Reuther as exhibit A. We have seen through the McClellan committee what these bosses will do with their own organizations. Now let them get the political power they want and we are on the road to something, and socialism would be a pretty mild term.

The voters have seen more than 20 years of the socialism the Republicans have been telling us about and most of them don't think it is so bad. Most of it has been manifested not by the government or by labor but business and industry. At every turn they come running to the government asking for a handout. There are subsidies here and subsidies everywhere.

There is no essential difference between the labor bosses and the left-wing group. Mostly they are a bunch of intellectuals who want to see organized labor run loose and they want to be in on it.

Edmund G. Brady With Leason & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edmund G. Brady has become associated with Leason & Co., Inc., 39 South La Salle Street. Mr. Brady was formerly in the Corporate trading department of Reynolds & Co. and prior thereto was with First Securities Company of Chicago.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was called on to absorb more profit-taking than it has in months this week and did a thoroughly creditable job of refusing to give up too much ground under pressure. Earlier the industrial average continued to reach higher into levels never before seen in history.

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The realizing became apparent when the senior average had forged nearly to 550, the upper limit of the 540-550 area which had been set as the first target for the swing by the market technicians.

Hectic Days

The nonferrous metal section, which had paced the latest upturn, was first to bump into the urge to take profits and some of the harder setbacks were posted in this group. At the same time, however, investment interest switched elsewhere, including some concentrated demand among the oils for the first time in a long while. This built up one of the more hectic sessions of the year with tickers forced to lag repeatedly, volume at a peak for some three years, and violent crosscurrents making the list thoroughly scrambled.

* * *

Latest reports from the investment companies showed large holdings of oils with only selective and mild lightening of commitments in some. More important as an explanation for the laggard ways of the oils recently was the fact that new commitments or enlarged positions were lacking. It indicated that the oils aren't going to get very far unless the group suddenly races into favor with individual investors. Some fuel oil price easiness in scattered areas was also a restraining influence.

Cement Issues Also Neglected

The oils had company in groups that are mostly neglected, notably the cements despite some predictions that next year will be the first $50 billion construction year in the nation's history. There wasn't any pronounced preferences showing for any single company in the group including General Portland Cement which, with a better earnings record than others, was something of a dividend-increase candidate. Marquette Cement which operates mainly in the midwest and hasn't overriding import troubles, also stands to benefit more than the others from the highway program. Penn-Dixie is something of a laggard with a yield of around 3½% and a price-earnings ratio of only around 12 partly because its operations were hurt by a strike last year and it got off to a poor start this year in part because of adverse weather.

* * *

The meat packing shares were able to muster a bit of activity now and then without too much overall progress. The better-acting item in this section was Armour which was able to reach its best market price since its reorganization a score of years ago. The company, however, is still one that crops up on lists of items "worth more dead than alive" since it sells for less than half of its $44 book value. Earnings are expected to be comfortably above last year's 72-cents per share, estimates putting this fiscal year's results around $1 and recovery into next year is expected with earnings of around $2 and resumption of dividends.

* * *

Motion picture issues, too, have not had much in the way of popularity in the last decade which, in some cases, was thoroughly deserved as their fortunes slid rapidly coincident with the rise in television following. One low-priced item that had its vociferous champions was National Theatres which was an early advocate of diversification to built up its estate, and joined with the enemy in specializing in TV film production and distribution. The stock was lagging in a yield bracket of above 5% until its recent emergence.

"A Different Organization"

Aircraft and missile items also lagged in popular attention, with only Boeing and Thompson Products showing any investment interest when the going was good. Thompson is a rather different organization these days, the shift soon to be even more accented when it completes merger with its affiliated Ramo-Wooldridge Corp. and changes its corporate title to Thompson Ramo Wooldridge. The company once depended largely on auto parts for its business and was tied in with the cycles in that field.

* * *

In shifting to aircraft and missile work and expanding into electronics, plus the Ramo contributions in missile and electronic work, the auto business has receded even more into the background. Last year the auto and electronic lines together contributed no more than 30% to overall sales and is slated to drop further. The company's 1958 results aren't expected to show anything startling, a large decline from 1957's profits anticipated. But the future is bright and the stock that sold for nearly 90 last year is considered well depressed at around two-thirds of that level.

Issues Behind the Market

Also well behind the market generally are the companies that contribute construction machinery to the road program, particularly such a company as International Harvester which is far more associated with the farm business by the general public. It is one of the quality issues still available at a 5% yield.

* * *

General Motors is also a beneficiary of the highway building program but its dominant share of the passenger auto market rather completely obscures this participation. The company is highly regarded for the defensive nature it showed during this year's poor auto year and even appeared as stock of the month in one of the leading services. The company has restyled its lines more extensively than its competitors and stands in a leading position to show a sharp rebound on any improvement in the general auto picture.

* * *

Rails with their limited followers are also prominent as a backward group where high yields are available in quality items and the railroad equipment makers have been even more laggard. One of the more prominent items in the latter field is Westinghouse Air Brake which is credited with 60% of the market for air brake equipment and accessories. This is also a situation where diversification is a company aim to lessen such dependence on a single industry. It has been adding road building and electronics to its line. It is expected to cover its dividend requirement by a good margin this year despite a rather poor earnings prospect. It has a dividend record of payments without interruption for three quarters of a century. At recent prices its indicated yield was a thoroughly respectable 4¾%.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert B. Keeler is now associated with Saunders, Stiver & Co., of Cleveland, members of the Midwest Stock Exchange. Mr. Keeler who has been in the investment business in Cincinnati for many years was formerly with Westheimer and Company, and Hill and Company.

Securities Salesman's Corner

By JOHN DUTTON

The Importance of Cooperation Between Research and Sales

Possibly this week's column should just be entitled "The Importance of Productive Research." I am going to make an observation here and now that I do not believe will be challenged by most experienced salesmanagers of successful investment securities organizations. It is my observation that any salesman that is qualified with the natural endowments and the necessary training to produce even a modest amount of business, will automatically increase his production in direct relationship to the **quality of statistical and research material that is available to him.** The importance of soundly conceived and researched "ideas," and the special situations which are presented to a salesman by his firm, produce the generating power and the motivation that not only creates sales, but it does even more — it suggests new accounts and revives dormant mental processes which any real salesman will immediately seize upon to increase his production and his scope of operations.

The Creative Process

Basically, the sale of securities is a matter of offering "ideas" in a manner that is acceptable, both to individual and institutional investors. No worthwhile presentation of an idea, whether it concerns the investment of substantial sums, a modest nest-egg, the exchange of one security for another, the taking of a profit, or any other transaction which calls for a decision of importance to the investor can be consummated unless there are definite and logical reasons for it. Backed up by a research organization that produces a constant flow of soundly conceived material, and in which the salesman can have confidence, there will be no lack of stimulation for him to approach his clients on a constructive basis. It is "investment ideas" which are the motivating power that engenders constructive sales thinking.

Some Methods for Using Research To Stimulate Sales

(1) Keep an accurate list of client's holdings and a "cross reference" file on each security. Important news items and information can then be sent to customers and prospects as they appear on a salesman's desk.

(2) Keep a record of client's objectives. Those prospects and customers who are interested in "growth of capital" should be filed on a handy card index; those where income and conservative investment objectives are paramount on another set of cards; and traders, special situation seekers, and bond buyers should also be segregated. Then if "new issues" come along; an important piece of news about a special situation is available; or some item presents itself which indicates an attractive "switch" of one security for another, it is possible to contact customers by mail and phone quickly and with efficiency.

(3) Know your customer's holdings. Sometimes it is difficult to know what to do with a certain stock that looks like it should be sold. The decision to sell is only half of the problem. The other half is "what to buy." For several months I have had the idea that I should suggest the sale of a sound buy very slow moving utility common stock out of several accounts. This stock is of good quality, and it should continue to pay a modest return at present levels but with only a limited growth factor still evident at today's advanced price. Then one day I perceived upon my desk a very well selected group of good yielding income stocks and one in particular which was very familiar to me (but which I had completely overlooked) stood out of the list like a flashing beacon light. Why had I not thought of it before? Here it was, 30% under the price of the stock I had been considering as a "switch"; the same dividend; almost the same industry; a better growth future; comparable earnings; and possibly a better moving stock from now on (based upon recent market history). In the presse of business, with 101 details every day to take care of, with a telephone ringing almost constantly during a busy day, and with time for study and research limited, nothing had rung the bell. I knew that stock was there. I was very familiar with it, I had watched it for years, and yet, until that list came to my desk I was stumped for a logical "switch" out of a stock that appeared overvalued into one that could logically replace it.

(4) Don't give up on good prospects. Today particularly, investors are looking for good investment suggestions. If research presents you with some attractive "growth stocks"; "income stocks"; or convertible bonds; get out your lists, make up a short mimeographed letter (it doesn't have to be fancy), and enclose some of these suggestions. Offer service and additional information and follow these letters. Be consistent and the results will repay you for the small amount of extra time and effort you put into this program.

Willard Howard With Eaton & Howard, Inc.

BOSTON, Mass.—Willard Howard, Brookline, Mass., has become associated with Eaton & Howard, Incorporated, 24 Federal Street, investment counsellors and managers of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund. Mr. Howard, who will be a wholesale representative, previously was Assistant General Manager of the United Shoe Machinery Corporation and later President of the National Shoe Products Corporation.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Raymond J. Redares has been added to the staff of Bache & Co., 445 North Roxbury Drive.

With Bennett-Manning

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roy P. Christoffersen has been added to the staff of Bennett-Manning Company, 8417 Beverly Boulevard.

Now With Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William H. Wolf has become associated with Quincy Cass Associates, 727 West Seventh Street. Mr. Wolf was formerly with Walston & Co., Inc.

H. E. Pray Opens

LEWISBURG, Pa. — Harold E. Pray has opened offices at 234 Market Street to engage in a securities business.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Stewart B. Clifford, Anthony T. Ellis, William F. Hohman and Robert L. Huston have been appointed Assistant Cashiers of **The First National City Bank of New York.** All joined the bank in 1956.

Mr. Clifford is assigned to the Canadian District, Mr. Ellis to the Western District, Mr. Hohman to the Southern District and Mr. Huston to the Petroleum Department of the National Division.

* * *

UNDERWRITERS TRUST COMPANY, NEW YORK

	Sept. 24,'58	June 30,'58
Total resources	\$45,027,686	\$45,154,367
Deposits	38,094,634	40,475,917
Cash and due from banks	5,457,156	6,995,920
U. S. Govt. security holdings	22,459,312	18,898,012
Loans & discounts	13,493,125	14,235,378
Undivided profits	1,624,613	1,590,457

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York,** announced Oct. 9 the election of Eugene Brinker, William E. Hines and Jerome D. Twomey as Assistant Vice-Presidents. All had been Assistant Treasurers of the bank.

Coincident with the announcement, Mr. Moore also made known the election of Richard W. Constable, Edward J. Holler and Byron F. West as Assistant Treasurers.

Mr. Brinker, who began his career with the **Public National Bank and Trust Company, New York,** in 1934 and subsequently joined Bankers Trust Company when the two institutions merged in 1955, is associated with the bank's 1107 Broadway Office. He was named an officer of Public National in 1950.

Mr. Hines, with the bank's division handling activity in Michigan, Ohio, Pennsylvania and West Virginia, joined the **Lawyers Trust Company, New York,** in 1933. He subsequently joined Bankers Trust Company in 1950 when the two institutions merged. Mr. Hines was named an officer in 1946. He has been in his present capacity since 1956 having prior service with the Metropolitan Division and the Finance Company Division of the bank.

Mr. Twomey joined Bankers Trust Company through the 1955 merger with the Public National Bank and Trust Company. He is assigned to the 1107 Broadway Office of the bank and was named an officer in 1950. He began his career with the bank in 1945.

Mr. Constable is a geologist with the Petroleum Group of the Special Industries Division of the bank. He joined the company in 1956 and has been employed in his present capacity since that date.

Mr. Holler began his career with Bankers Trust Company in 1943. He has been assigned to the Eighth Avenue Office of the company since 1956. Prior to that date Mr. Holler worked in the Credit Division, the Personnel Relations Department and the Branch Office Loan Division.

Mr. West, since November of 1957, has been associated with the newest Bankers Trust Company Office at Third Avenue and 46th Street in Manhattan. Joining the company in 1950, he participated in the company's executive training program and in 1952 joined the Credit Division of the bank. Four years later Mr. West joined the Amusement Industries Group of the bank.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	Sept. 24 '58	June 23 '58
Total resources	\$3,804,133	\$3,636,156
Deposits	327,279	288,607
Cash and due from banks	2,072,668	1,732,619
U. S. Govt. security holdings	380,641	435,653
Undivided profits	596,419	564,485

* * *

Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of **The New York Trust Company, New York,** have announced the following appointments:

Keith Kingsbury has been appointed an Assistant Treasurer assigned to Division 3 in the Banking Department headed by Edward L. Palmer, Vice-President. The Division is responsible for the bank's Commercial and Banking relationships in the Southeast, Southwest and Mississippi Valley areas.

Richard C. Memhard has been appointed an Assistant Treasurer at the bank's branch at 10 Rockefeller Plaza.

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FEDERATION BANK AND TRUST CO., NEW YORK

	Sept. 30, '58 \$	June 30, '58 \$
Total resources	160,362,289	146,206,894
Deposits	148,578,252	134,103,193
Cash & due from banks	28,377,686	101,197,926
U. S. Govt. security holdings	28,640,768	35,430,164
Loans & discounts	69,707,294	59,029,446
Undivided profits	1,072,171	920,480

* * *

Richard K. Wolpert, Chairman of the **First National Bank of East Islip, L. I.,** died Oct. 6.

* * *

State Bank of Norwood, Norwood, N. Y., and **The St. Lawrence County National Bank of Canton, Canton, N. Y.,** merged under charter and title of the latter bank. A branch was established in the former location of State Bank of Norwood.

REPORT OF CONDITION OF

THE CORPORATION TRUST COMPANY

of 120 Broadway, New York, New York, at the close of business on September 24, 1958, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	\$2,072,668.10
United States Government obligations, direct and guaranteed	380,641.28
Corporate stocks	60,000.00
Leasehold improvements	297,261.21
Furniture and fixtures	453,655.41
Other assets	539,907.26
TOTAL ASSETS	\$3,804,133.26

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	327,278.87
Other liabilities	2,055,434.90
TOTAL LIABILITIES	\$2,382,713.77

CAPITAL ACCOUNTS

Capital †	\$500,000.00
Surplus fund	325,000.00
Undivided profits	596,419.49
TOTAL CAPITAL ACCOUNTS	\$1,421,419.49
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	\$3,804,133.26

†This bank's capital consists of common stock with total par value of \$500,000.00

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	\$109,641.28
Securities as shown above are after deduction of reserves of	639.97

I, CHARLES J. SKINNER, Treasurer of the above named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

Correct—Attest:

RALPH CREWS
G. F. LE PAGE } Directors
O. L. THORNE

THE CONNECTICUT BANK AND TRUST CO., HARTFORD, CONN.

	Sept. 24, '58 \$	June 30, '58 \$
Total resources	363,342,555	386,115,018
Deposits	314,923,744	347,562,130
Cash & due from banks	76,897,329	106,246,970
U. S. Govt. security holdings	70,550,296	70,872,319
Loans & discounts	145,921,027	155,843,386
Undivided profits	5,366,670	5,709,290

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National State Bank of Newark, N. J. announced that David J. Connolly, John J. Clancy and Michael A. Jackson, former directors of **Federal Trust Company, Newark, N. J.,** were elected to the Board of Directors of National State Bank.

A new Advisory Board serving the three Federal Trust Offices has been formed and will comprise the following, all of whom were formerly directors of Federal Trust Company: David J. Connoll, Mark Anton, Harry N. Bockus, David Cronheim, Leo J. Fitzsimmons, Herman B. Lermer, Frank C. Mindnich, William S. Stuhr, J. Vincent Talbot, Stanley M. Tracy.

At the Board of Directors' meeting held Oct. 9, the bank also announced the election of the following officers, all of whom were formerly associated with Federal Trust Company:

David J. Connolly, Vice-Chairman; Leonard P. Groves, Vice-President; Thomas J. Brennan, Vice-President; William S. Cherry, Vice-President; John J. Germaine, Vice-President; Henry H. Hegel, Vice-President; Robert R. Ferguson, Jr., Assistant Vice-President; William H. Hassinger, Assistant Vice-President; Emil L. Pabst, Assistant Vice-President; George L. Ripley, Jr., Assistant Vice-President; Herman F. Arlt, Assistant Cashier; Richard N. Berkefeldt, Assistant Cashier; William J. Brunner, Assistant Cashier; Alexander N. Ciavarra, Assistant Cashier; Kenneth A. Clark, Assistant Cashier; Edmund J. Mahoney, Assistant Cashier; Anthony Mitchell, Assistant Cashier; John J. Mooney, Assistant Cashier; John J. Wolf, Assistant Cashier; John F. Fay, Trust Officer; George V. Gilmartin, Trust Officer; Leo E. Leichter, Trust Officer; Frank E. Atwood, Trust Officer.

The board also announced the promotion of William L. Stauder and Edward P. Steitz from the position of Assistant Vice-President to Vice-President, and Victor Glasser and Joseph S. Brown from Assistant Cashier to Assistant Vice-President. Arthur Petitt was appointed to the position of Assistant Cashier.

Mr. Stauder began his banking career in 1916 with the **Merchants National Bank of Newark** and came to National State Bank in 1949 through the merger of **Merchants & Newark Trust Company** and was appointed as Assistant Cashier. Shortly thereafter he was promoted to the position of Assistant Vice-President.

Mr. Steitz began his banking career in 1927 with the **Mt. Prospect National Bank** and was Cashier of that institution when it was merged with the **United States Trust Company** in 1941. When the United States Trust was merged with National State Bank in 1950 he was appointed to the position of Assistant Vice-President.

Mr. Glasser began his banking career in 1924 with the National State Bank and was appointed an Assistant Cashier in 1948.

Mr. Brown began his banking career with National State Bank in 1953, and was appointed an Assistant Cashier in 1956.

Mr. Petitt's banking career began in 1926 with **Merchants and Newark Trust Company** and he came to National State Bank through the merger of that institution in 1949.

Previous article appeared in the column on Aug. 21, page 718 and Oct. 9, page 1462.

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Sept. 30,'58 \$	June 30, '58 \$
Total resources	1,052,361,261	1,168,190,735
Deposits	942,756,148	995,718,238
Cash and due from banks	269,406,634	317,499,020
U. S. Govt. security holdgs.	226,073,545	219,329,413
Loans & discts.	431,064,521	434,848,051
Undiv. profits	13,357,069	13,139,377

* * *

Frank B. Morgan, 58, Comptroller and a Vice-President of the **American Security and Trust Company, Washington, D. C.,** died Oct. 7. Mr. Morgan formerly had been Controller and a Vice-President of the **Title Guarantee and Trust Company in New York.** Mr. Morgan became Controller of Title Guarantee in 1937 and a Vice-President in 1948. In 1950 he became Controller of American Security. Since last January he also has been a Vice-President.

* * *

The Liberty Bank, Ada, Ohio, and **The First National Bank of Ada, Ada, Ohio,** consolidated under charter of the latter bank and new title **The Liberty National Bank of Ada,** with head office transferred to former location of The Liberty Bank. A branch was established in the former location of The First National Bank of Ada.

* * *

Western National Bank of Cicero, Ill., increased its common capital stock from \$400,000 to \$500,000 by a stock dividend, effective Oct. 3. (Number of shares outstanding — 25,000 shares, par value \$20.)

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THE NATIONAL BANK OF DETROIT, MICHIGAN

	Sept. 30,'58 \$	June 30, '58 \$
Total resources	1,910,380,284	1,951,420,462
Deposits	[illegible]	[illegible]
Cash and due from banks	387,098,594	388,320,046
U. S. Govt. security holdgs.	652,676,680	721,546,932
Loans & discts.	651,900,662	629,316,473
Undiv. profits	27,024,587	25,221,104

* * *

E. A. Reddeman retired as President of **American State Bank, Milwaukee, Wis.,** but continues as honorary President. John Butcher will succeed him, and William E. Wierdsma was elected Senior Vice-President.

* * *

First National Bank of Fort Stockton, Fort Stockton, Texas, received permission from the office of the Comptroller of the Currency to open a new bank. Tom H. Stovell is President and Cashier. The bank has a capital of \$125,000 and a surplus of \$125,000.

* * *

First National Bank of Cupertino, Calif. changed its title to **First National Bank of Saratoga and Cupertino,** effective Oct. 1.

* * *

An offering of rights to shareholders of **The Toronto-Dominion Bank, Toronto, Canada,** to subscribe for 400,000 additional shares of capital stock of the bank was announced Oct. 10 by A. C. Ashforth, President.

The rights are being offered to shareholders of record at the close of business on Oct. 10. The subscription price for the additional stock is \$34 per share in Canadian currency. Shareholders will have the right to subscribe for one additional share for each five shares held.

The right to subscribe for additional shares will expire Jan. 15, 1959.

He also announced that the directors of the bank authorized a transfer of \$2,000,000 from undivided profits to Rest Account, bringing the total of the latter to \$48 million.

The sale of the additional 400,000 shares of capital stock will result in an increase in Capital Account of \$4,000,000 and in Rest Account of \$9,600,000 bringing the amount of these two accounts to \$24,000,000 and \$57,600,000 respectively, an aggregate of \$81,600,000.

In a letter to shareholders, A. T. Lambert, General Manager of The Toronto-Dominion Bank, states that the subscription price of the additional shares the bank is offering to shareholders may be paid in 10 equal monthly instalments of \$3.40 a share. The instalments are to commence Jan. 15, 1959 and the final one will be due Oct. 26, 1959.

A subscriber, if he desires, may pay the whole of the purchase price at the time of subscription. No interest or discount will be allowed for prepayment. However, all payments will be taken into account in the payment of dividends.

Mr. Lambert explains that each new share subscribed for will rank for any future dividends in the proportion which the total amount of subscription payments received by the bank for each share on or before the record date of such dividend bears to the subscription price of \$34.

The Bank Act prohibits the offer of a fraction of a share. Mr. Lambert states that after Jan. 15, 1959, shares resulting from these fractions, together with any shares not subscribed for, will be disposed of by the bank and the net proceeds in excess of \$34 per share from the sale of these shares will be distributed to the shareholders entitled thereto. Arrangements are being made for the underwriting of these excess shares by a group of leading investment houses across Canada.

The offering of rights to subscribe for new shares is not being extended to shareholders in the United States, according to Mr. Lambert. However, U. S. shareholders will be provided with rights which they may sell or transfer.

Warrants will be mailed to shareholders in about two weeks time. Such warrants will be transferable and may be subdivided.

Subscriptions will be accepted at the Head Office of the bank in Toronto and at its London, England office up to the close of business on Jan. 15, 1959.

* * *

Bank of Hawaii announced the appointment of two new Branch Managers. Charles W. Sakuma was appointed Manager of the bank's Waipahu Branch, and Frank W. Finlayson, Manager of the Kaneohe Branch.

Mr. Sakuma has been with the bank since 1941 and has been at the Waipahu Branch the past eight years. In 1954 he was appointed Operations Supervisor for the Branch, and in June 1956 was named Assistant Manager. In January 1958 he was named Acting Manager, succeeding Frank J. Manaut, who moved to the managership of the bank's Kaimuki Branch.

Franklin W. Finlayson, new Manager of the Kaneohe Branch, will relieve M. M. Cabrinha who has been Manager there since 1954.

Mr. Finlayson first joined the Bank of Hawaii in 1936. He was relief manager of Kaneohe Branch in June 1958.

Harris, Upham & Co. Fall Lecture Series

Thomas B. Meek, manager of Harris, Upham & Co., 99 Park Ave., New York, has announced that four lecture and discussion periods will be conducted in that office on successive Mondays from 7:30 to 8:30 p.m., beginning Oct. 13.

Open to the public, the series will feature, in order, addresses by Mrs. Rose O'Neill, registered representative, on "The Stock Market and How it Operates," and "Individual Investment Planning"; "Investing for the Future" by Mr. Meek; and "The Value of Research Behind All This Planning" by Percy Weeks, manager of the firm's investment advisory department.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

In any discussion of bank earnings, due weight ought to be given to any material security profits or losses. Not all banks report these figures even on an annual basis; and not many show the results on a quarterly incidence. For a long period when the large New York City banks were far more devoted to loan demand than concerned with their security holdings, these profits or losses did not bulk large at all. Loan rates were high and volume was about all the loan officers looked for, so why worry about Government bond holdings. Indeed, many banks at that stage of the market simply regarded their bond portfolios as reservoirs of funds to draw on for their loan demands.

But the day came when loan volume declined and the banks were in a position where it became necessary to invest in bonds such funds as came in from maturing loans that were not renewed. The big New York banks, being largely in the position of depositories for some interior banks, it is essential that when they do take on bond holdings, they confine themselves almost entirely to short-term paper in case the interior banks call for their deposits. This short-term paper gives the New York banks a quick roll-over and puts them in a position to meet demands of all kinds on their demand deposits.

Therefore, it seems somewhat of an anomaly that they turn up with substantial amounts of security profits, particularly in the face of the very bad bond market we have had to contend with. Those showing the largest amounts of security profits for the nine months to Sept. 30, 1958, are as follows:

Bankers Trust	$5,410,000
Chase Manhattan	22,043,000
Chemical Corn Exch.	7,877,000
First National City	1,821,000
Guaranty Trust	2,623,000
Hanover Bank	9,209,000
J. P. Morgan & Co.	2,340,000

First National City's figure includes its affiliate's profits, City Bank Farmers Trust Co.

Most of these totals were piled up in the half-year, as the Sept. 30 figures differ but little from those of June 30. In any case, it is a commendable showing.

Compared with Sept. 30, 1957, the 13 large New York City banks averaged an increase in Government bond holdings of 31.4%, one bank, Hanover, increasing its portfolio from $228,274,000 to $438,975,000, or about 92%. But the comforting part of it from the point of view of the bank managements is the fact that the banks' loan volume contracted considerably less than the increase in governments, even when we make allowances for the fact that loans constituted a much larger figure than governments to start with. The shrinkage in loans averaged about 6.9% in the 12 months, with Hanover Bank showing a decline of 14%. But as in most cases deposit volume was somewhat larger at the 1958 date than at Sept. 30, 1957, some measure of the better combined showing (governments plus loans) is accounted for.

Of the 13 banks, eight reported greater operating earnings than in the 12 months ended September, 1957. Parenthetically, 12 months are used in our calculations because otherwise the last quarter results, often important in relation to the other quarters, would not be included. The five that reported lower operating earnings showed them to be an average of 2½% lower, while those whose results 12 months were better showed them to be 5% better. The net was of no great consequence.

But what is ahead? This department continues bullish on the bank stocks. Reports of improvement in the economic outlook continue to increase, whether they be on employment, steel production, freight loadings, or whatever. And money rates are hardening with an improved demand for loan accommodation. On all of this the banks thrive, and we look for moderately better operating earnings.

For the chartist, the "American Banker" index of the bank stock average has now gone through an old resistance point taking us back to the early depression years. Yields are beginning to be whittled down; but as the average pay-out ratio (dividends: operating earnings) is now only about 54.7%, there is ample room for upping some payments. In this circumstance, it is of course possible that several increases could take the form of year-end extras.

Winslow, Cohu Firm To Admit Partner

On Nov. 1 Stephen A. De Guard will be admitted to partnership in Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange.

To Represent Blue Ridge

Milan D. Popovic, President of Blue Ridge Associates, Inc., announces the appointment of John R. Mathews as regional wholesale representative of the Mid-West. Mr. Mathews will cover all of the Mid-Western states but will make his headquarters in Chicago. Blue Ridge Associates, Inc. is the National Distributor of the share of Blue Ridge Mutual Fund, Inc.

With Josephthal Co.

BROOKLYN, N. Y.—Josephthal & Co., members of the New York Stock Exchange, announced that Harold J. Rhodes is now associated with the firm as a registered representative in the Brooklyn office, 186 Montague Street.

Continued from page 7

What Do We Learn From Recessions?

know that most plant and a good deal of equipment is an investment made not for the current year but for five, or ten, or more years into the future. It is nevertheless a fact that in the postwar period business expenditures on plant and equipment have followed, not led, the business cycle. Business plans have been too much influenced by the psychology of the moment, and not enough by a calm and realistic evaluation of future demand. This instability of capital plans, like the instability of inventory policy, has of course intensified the swings in business activity, as well as sacrificing the profits which could be achieved through more rational planning. The first lesson which we can learn from the postwar recessions is that, in our inventory policy, we must be on top of the market at every moment with an efficient system of prompt adjustment to changing market conditions; in our caiptal plans, we must adopt somewhat the opposite policy, resisting the over-enthusiasm or over-pessimism of the moment, and working out a steady and continuous program of expansion and modernization.

Stable Consumer Spending

We can be greatly aided in putting into effect these policies if we observe second lesson of the postwar period — the remarkable stability of consumer spending in general, although, of course, there have been sharp changes in the pattern of their spending. The desires and the whims of consumers are difficult to forecast and are constantly changing. Between 1956 and 1958, for example, the consumer lost interest in a whole area of our output such as durable goods, but despite this, total consumer spending proved to be the most stable element in the postwar economy. In every one of the three recession years, total consumer spending has been **larger** than in the previous boom year. Even if spending on services is excluded, consumer purchases of goods in each recession year have been at least as large as in the previous year.

This stability of consumer spending should encourage us in the future to calmer, less fearful, business planning. We can never cease our constant and prompt adjustments to changes in his desires, but if we give him a fair deal we can lay our plans with confidence in the basic stability of consumer demand.

Cannot Rely On Government Controls

A third lesson which I believe is a particularly important one is that we must not—in fact we cannot—rely on government controls for the success and the stability of our economic system. In the first place, the record of government economic controls in the postwar period—particularly the record of fiscal policy—is not one which encourages much confidence. Too frequently, government has lectured the private economy on the evils of inflation and at the same time poured its own spending into the market to bid up prices. In recessions, the story has almost invariably been one of ineffective discussion when business conditions were at their lowest ebb, followed by a splurge of government spending which has come too late to be anti-recessionary yet just in time to contribute to the next inflationary boom. Government action this year provides a monstrous example.

In the second place, reliance on government has made it too easy for business and labor to forget their own responsibilities to the economy. This is particularly true with respect to the evil of inflation. Inflation has become a household word, and it is widely understood as a bad word. But one of our difficulties seems to be that too many people fear the idea of inflation, yet fail to admit the causes of inflation. They will walk headlong into it, deploring it every step of the way. Businessmen, government leaders, and labor chiefs all agree that inflation takes an unjust toll on a large proportion of our people — but even while they make statements deploring inflation, they organize to increase wakes, to raise prices, and to appropriate increasing government expenditures. They are so imbued with the philosophy that ever higher dollar wages and dollar sales mean prosperity that they demand perpetually easy money to blow up these dollar figures, ignoring the injustices which this process imposes on large groups within the economy and deluding themselves into believing that more dollars necessarily mean a higher standard of living.

I do not believe that inflation can be stopped by appeals for forbearance. But it is becoming increasingly clear that we cannot rely on monetary and fiscal policy, as we have known it, to solve the problem. More effective use of these controls could certainly help in curbing the rise in prices, but the very nature of government makes it difficult to employ economic controls promptly and decisively. Effective and wise use of government economic power is something to be hoped for in the future rather than something which can be relied upon in the present. To fight inflation today it is up to the private sector to make our economic system more truly competitive, both in business and in labor. A more competitive economy is the most effective means for ensuring that consumers will share in the benefits of advancing productivity and that the evil of inflation will be uprooted.

It is often said that as long as wage increases are limited to increases in productivity, there is no need for price rises to compensate for wage rises. This is not necessarily so. It is possible to pay the full productivity increment in higher wages without a price rise **only** if increased output per manhour is at least proportionate to the increase in the required capital investment that made better productivity possible. Unfortunately, this is often not true. In the second place, when the fruits of productivity increases are divided between labor and capital, the consumer, who should certainly get a major share, is ignored. The consumer is the real key to our economy, and he should share, through price reductions, in those areas where our productivity is advancing most rapidly.

Advantage of Diversification

The final lesson which our recent experiences should teach us is the advantage of diversification —both for individual business and for whole communities such as Indianapolis. An important characteristic of each of the postwar recessions has been the fact that while some aspects of the economy have experienced difficult times, other segments have sailed through the adjustment untouched. During the recession of 1958, for example, while durable goods were particularly hard hit, food products, drugs, farming, and many other industries were establishing new records. Because of the rolling nature of the postwar adjustments, those businesses and communities which included diversified operations have survived the adjustment much more successfully than more specialized areas.

Over the past few years we at the Prudential have made a continuing study of New England, which is an interesting case in point. We were particularly interested because we are locating our new Northeastern Regional Home Office in Boston. New England, originally, was anything but diversified. Fishing, textiles, and boots and shoes virtually maintained its economy. Whenever anything happened to these industries, the New England economy suffered seriously. In the end, over-specialization took its toll and the New England economy all but collapsed. It stagnated for a long time, but then a well-organized plan of diversification and far-sighted financing projects made possible the starting of new businesses in New England. The economy of that entire section of the country began to take on new life. It is still moving forward at an accelerating pace, and the many types and sizes of businesses have made the New England

economy less sensitive to business downturns than it was in former years.

The city of Indianapolis is a reasonably well diversified community, but your economy could achieve additional stability through further emphasis on nondurable goods lines. This suggests that the long-range plan of growth and stabilization, in which you have already invested so many millions of dollars, could well afford to take on a new dimension—the dimension of economic diversification. Indianapolis, and this area in general, have a great deal to offer a growing industry. Your competitive assets should put you in the front rank among the areas seeking new and diversified industrial and commercial activity. Your experience in this last recession indicates to me that this would be a wise and thoughtful thing for you to do.

Summary

To sum up, let me review the four lessons which we as businessmen can learn from the economic adjustments of the postwar period:

First, businessmen can make a major contribution to economic stability through better inventory and plant and equipment policy. Careful planning, and particularly an approach less susceptible to the psychology of the moment, will make it possible to avoid wasteful excesses on both the upside and downside.

Second, we should never forget that the consumer is the Number One consideration in our economic system. The customer may not always be right, but he is always necessary, and there is a limit beyond which he is likely to revolt at the kind of treatment given him by business, labor and the government. We should not forget that if the consumer had revolted in any of the three postwar recessions, we inevitably would have drifted into a full-fledged depression. It has been the basic stability of consumer spending which has turned these recessions into minor adjustments. Remember the consumer and be good to him. Redouble your efforts to pass along to him, through price reductions, the benefits of rising productivity.

Third, we must not allow reliance on government monetary and fiscal controls to obscure our own responsibilities both with respect to output stability and with respect to price stability. In the area of price stability particularly, government control techniques have failed clearly. Our economic system must regain more of the competitive aspects that made it so successful. There is often need for improved policies and more economic awareness on the part of management, and, especially at the present time, there is pressing need for a broader view on the part of labor leadership. Wage increases during the postwar period often far exceeded total improvements in productivity, and have not taken into consideration at all the capital requirements essential in bringing about this stepped-up productivity. This has been a major factor in pushing prices upward, eliminating any share in productivity gains for the consumer. Any private group directly involved in the continuance of such a state of affairs incurs grave responsibilities, indeed.

Finally, our recent adjustments have driven home the fact that one of the greatest assets in any community industrial and commercial activity is diversification. In no one of the three adjustments since the war has everything collapsed at once. In each case, various commercial and industrial activities have dropped off at various times, and have recovered in successive stages. New plants, new construction, and new industries have continued to develop throughout the recession year. A diversified community, like a diversified business, is in position to survive the storm more successively.

Probably there are a great many more things that we could learn from recessions if we were determined to use the recessions as lessons in economic management, and not simply regard them as something to get over and out of the way as quickly as possible. But certainly these four factors emerge as obvious, and I believe that if all of us kept them in mind—if business remembered them while production is soaring; if labor remembered them even when they found themselves in a strategic position to demand and get higher wages and more benefits; if Congress and the Executive branch bore them in mind even in political years—if these things could be done, I believe we would have fewer adjustments, there would be greater time intervals between them, and we would find ourselves less at the mercy of continuing and accelerating inflation.

Wm. Gerstley 2nd, Dir.

Milan D. Popovic, President of Blue Ridge Mutual Fund, Inc., has announced the election of William Gerstley, 2nd, as a director of the fund. Mr. Gerstley is the senior partner of Gerstley, Sunstein & Co., Philadelphia investment bankers.

Panama to Offer Bonds

The Republic of Panama on Oct. 9 filed a registration statement with the SEC for $16,700,000 external secured bonds of 1958. Lehman Brothers was named as managing underwriter. The bonds are to be due April 1, 1988, to be optionally redeemable April 1, 1964 at 105% and thereafter at lower redemption prices and are to be entitled to annual sinking fund payments at par value calculated to retire 100% of the issue by maturity.

Security for the bonds is to be an irrevocable assignment to The First National City Bank of New York, as fiscal agent of the Loan, of $1,000,000 of the annual treaty payment due in perpetuity from the United States of America to the Republic of Panama for the use, occupation and control of the Panama Canal Zone, under the treaty of 1904, as amended.

The bonds are to be issued to provide funds to redeem and retire outstanding indebtedness of the Republic, including $5,900,000 to the International Bank for Reconstruction and Development, $3,000,000 loan of Chiriqui Land Co. (United Fruit Co.), $1,450,000 internal investment and savings bonds, and $1,300,000 internal national race tract bonds.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio — David B. Weaver is with Francis I. du Pont & Co., 12 East Mill St.

Ohio Valley IBA Group Elect Officers

CINCINNATI, Ohio—Charles A. Richards, Vice-President, Field, Richards & Co., Cincinnati, was elected Chairman of the Ohio Valley Group of the Investment Bankers Association of America at the Annual Meeting held in Louisville, Ky.

Charles A. Richards

Other officers elected at the Annual Meeting are as follows: First Vice - Chairman: Ralph G. Elam, Sweney Cartwright & Co., Columbus, Ohio.

Second Vice-Chairman: Henning Hilliard, J. J. B. Hilliard & Son, Louisville, Ky.

Secretary-Treasurer: William S. Magnus, Magnus & Company, Cincinnati, Ohio.

Serving on the Executive Committee from Cincinnati for the coming year are: Harry C. O'Brien, W. E. Hutton & Co.; Robert L. Reed, Hill & Co.

The Ohio Valley Group of the Investment Bankers Association of America comprises the southern half of Ohio and the northern half of Kentucky. The principal cities comprising the Ohio Valley Group are Columbus, Dayton, Cincinnati, Lexington and Louisville.

William C. Jackson, Jr., First Southwest Company, Dallas, President of the Investment Bankers Association of America, was the principal speaker at the meeting, at which time he handed over the gavel from W. L. Lyons, Jr., of W. L. Lyons & Co., of Louisville, last year's Chairman, to Charles A. Richards.

The above officers and Executive Committee will serve for one year until the next Annual Meeting in October of 1959.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Clarence H. Gleder has been added to the staff of Bache & Co., 130 South Salisbury Street.

With Dempsey, Tegeler

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Calvin H. Doerge is now with Dempsey-Tegeler & Co., 113 East Philadelphia Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has moved up smartly from the lows for the year, under the impetus of a considerable amount of professional, quoting up, along with a small amount of investment buying. Also offerings of securities have been small, since it is indicated that the selling of Government obligations at or near the lows of the current decline was practically non-existant. The recent drop in prices was very sharp and severe and the levels reached by some of these issues on the downside was worst than those that were made in the very tight money period, when the members banks were very heavily indebted to the Federal Reserve Banks.

The rally in Government securities is likely to carry some what further, if only a natural rebound from a badly oversold condition. On the other hand, real investment buying could send them up quite sharply from these areas. Nevertheless, it appears as though the inflation or boom psychology will not be bullish for Government bonds, and this psychology is still very strong.

Breathing Spell for Money Market

The money market, with the Treasury new money raising operation out of the way, seems to be in for a short breather at least, since there will be a period of about a month and one-half before the Government will again be making overtures to those that have funds which can be borrowed by the Treasury. Also at that time there will be a refunding, which will involve some $12 billion, with the Central Banks owning about $8 billion of the issues which come due during December. In the interim period the money market will have an opportunity to digest the new securities that were recently offered by the Treasury, as well as the outstanding ones that have been thrown on the market, not only by speculators, but also by those that wanted the money for other purposes. It is reported that not a small amount of these funds went into the purchase of common stocks, since this is considered to be the way in which one hedges against the forces of inflation.

It seems as though some of the pressure has been taken away from the money market thru the medium of "open mounth operations." These are to the effect that there will be no important changes in monetary policy, which would tend to further tighten the money market as long as there is no worsening of the inflation fear, with the attendant flight of funds into equities. It is also being reported from so-called well-informed sources that the free reserves of the member banks of the system will be kept in the vicinity of $100,000,000 as long as the business pattern does not explode too fast, thus creating another boom which could have an adverse influence on economic conditions in general.

$100 Million Free Reserves Deemed Adequate

The level of $100,000,000 of free reserves for member banks of the system, according to the opinions of informed money market specialists, is in line with the needs of business at this point in the recovery cycle. Loan demand has not been quite up to expectations even though this is the time of the year when the expansion usually takes place. As long as the uptrend in economic conditions goes along on a solid basis, as seems to be the case now, there will be a supply of funds made available to the money market to meet the expanding needs of industry for money and credit. This seems to mean that the policy of neutrality or "confortable restraint" will be in effect for a period, or at least until sufficient time has passed so that more definite or positive data will be available as to the character and extent of the recovery.

Money Supply Held in Check

The Federal Reserve Banks have been purchasers of Treasury bills in amounts sufficient to offset the increased demands for currency and at the same time to prevent a further hardening of money rates because of the new money raising venture of the Treasury. In spite of the new funds which the Treasury has been forced to raise because of the budget deficit, it is evident that there has been only a small addition to the money supply. This is a favorable development because if the Treasury is able to finance its deficit in such a manner that there is not a large increase in bank deposits, it will not add to the fears or forces of inflation.

The near-term issues which were used by the Treasury in the recent new money operation have come back to levels where they should have been when first traded. They are still not unattractive for those that need short-term securities.

Bankers Underwrite Case Conv. Debentures

J. I. Case Co., a leading manufacturer of farm and industrial machinery, is issuing to the holders of its common stock rights to subscribe, at a price of 100% of the principal amount, for $20,130,400 of 5½% subordinated debentures due 1983, convertible into common stock until Oct. 15, 1968. Common stockholders are privileged to subscribe at the rate of $100 principal amount of debentures for each 14 shares held of record on Oct. 14, 1958. The subscription offer will expire at 3:30 p.m. (New York Time) on Oct. 30, 1958.

The offering will be underwritten by a group of investment firms headed by Morgan Stanley & Co. and Clark, Dodge & Co. who will purchase any unsubscribed debentures from the company.

The company is selling the debentures to provide additional working capital on a permanent or long-term basis in view of increased working capital requirements to finance recent higher volumes of sales. The net proceeds from this sale will be used to reduce the company's short-term indebtedness to banks which amounted to approximately $52,145,000 at Oct. 9, 1958.

The company produces a full line of farm machinery including tractors and equipment for plowing, tilling, planting, cultivating, fertilizing and harvesting. The company also produces wheel and crawler tractors, bulldozers, fork-lift tractors and other equipment used for a variety of industrial purposes including construction, road building and earth moving.

Continued from first page

An Optimistic View of the Stock Market Outlook

five following major arguments.

(1) The market has advanced too rapidly.

(2) The market is too high on the basis of current earnings.

(3) Excess capacity exists in many industries.

(4) Profit margins have declined in recent years.

(5) Stocks are yielding less than bonds.

Let us examine these arguments point by point. If we do this, vigorous analysis will, I think, show that the fears of many investors are exaggerated or unfounded.

(1) **The Market Has Advanced Too Rapidly** — The market as measured by a level of 540 in the Dow-Jones Industrial average, is in uncharted territory, an all-time high. However, it is only infinitesimally above the high of 525 reached 30 months ago in April, 1956, and only some 10% above the 490 peak reached three years ago in September, 1955. Assuming that we are in a growth economy, this appreciation is something less than staggering.

An examination of stock market trends relative to business trends also turns up some interesting figures. Stock prices have risen for some nine months and general business has been moving ahead for some five months. It will be seen that in five of the seven previous business recoveries since 1921, stock prices had been rising for at least as long or longer. The magnitude of the rise (about 17% since business turned up in April) is also not out of line with previous recoveries. Indeed, only two of the seven previous recoveries showed a perceptibly smaller increase in stock prices after the business low. Thus, there is hardly anything unusual in the extension of the stock market rise to date.

(2) **The Market Is Too High on the Basis of Current Earnings.** It is only necessary to master long division to show that the market is high in relation to **current** prices and **present** earnings. Based on the 12 months ended Sept. 30, the Dow-Jones Industrials are selling at about 19 times earnings. However, the current rate of business recovery is staggering even the most optimistic economists. It is highly possible that the level of corporate profits in the final 1958 quarter will be close to the peak rate of the first quarter of 1957 when the Dow-Jones Industrials earned $9.30. The odds seem to be better than ever that corporate profits will reach a new high in 1959. Thus, if the Dow-Jones Industrial earn $40 next year (not optimistic if the auto industry has a normal year) the price earnings ratio would be some 13.5. Taking $40 earnings on a 15 times P/E ratio (not unheard of in times of high investor confidence), produces a DJI price of 600.

(3) **Excess Capacityy Exists in Many Industries.** Overcapacity is widely talked about and less widely measured. A "Fortune" magazine study, for example, places the 1957 gap between production and capacity at only 6%. True, unused capacity increased sharply in 1958, but this was due to the low level of recession demand and not to over-building. "Fortune" further estimates that 75% of current capital expenditure outlays are for normal replacement of old plant and equipment and that this demand alone is rising at the rate of $1 billion annually. The 75% figure however, appears high in the light of McGraw-Hill's study indicating that half of the nation's present capacity was built prior to 1945 and that only one-third has been built since Korea. This fact is significant since, for example, latest machine tool models are estimated to be 40% more efficient than the pre-1948 models. In most industries, machines never actually wear out. Technological changes make them obsolete before the end of their physical life. Therefore, any forecasting of a pronounced drop in capital spending appears overly pessimistic.

(4) **Profit Margins Have Declined in Recent Years.** Profit margins have been declining. However, steps on the part of industry to correct this weakness cannot produce results overnight. During the 1955-1957 period, industries spent huge sums on capital improvements. There are now indications that this investment is beginning to pay off. For example, since the recession hit bottom in April, manufacturing production has jumped some 8.3% while the time put in by production workers has gone up less than half as much. Furthermore, preliminary government estimates indicate that productivity is rising at a rate three times normal. This development will have an important effect on increasing profit margins. It has already been indicated by the second quarter reports of the steel companies, and it will show up in other industries also.

(5) **Stocks are Yielding Less Than Bonds.** The stock-bond yield spread is an enormously overworked barometer. During the past 25 years of a "New Deal" easy-money policy, it worked rather well. On a historical basis, it appears less valid. From 1860 to 1910, for example, stocks consistently yielded less than bonds. This is the case in practically every major country of the world today at this moment, except the United States. In a growth economy, or in an inflationary economy, the price of long-term borrowing naturally increases. Furthermore, the expanded use by the Federal Reserve of monetary controls tends to cause wide fluctuations in the bond market, while built-in stabilizers, instituted during the 1930s, tend to reduce the fluctuations of stocks.

For example, in the postwar period the yearly variation of stock prices has averaged 19% compared with 44% in the 1921 to 1940 period, but bond prices, on the other hand, have moved in an average 12% range since the war vs. 8% in the 1920s and 1930s. In addition, the higher earnings level foreseen for 1959 could greatly intensify inflationary pressures. The cost of Federal programs used to combat recessions, increases the likelihood of continued government deficits which must, after all, be met in large part by monetization of the debt.

Shortaged Stock Offerings

Still another factor that limits the validity of the stock-bond theory is the shortage of investment grade common stocks. Demand by both institutional and individual investors has increased tremendously in recent years. State laws have been liberalized to allow insurance companies, mutual savings banks and private trust funds to acquire or increase equity commitments. If the variable annuity is introduced, potentials for a further increase in demand would be staggering. Estimates of potential variable annuity sales over the next twenty five years have run between $50 billion and $125 billion. This compares to approximately $3 billion worth of common stocks now held

by insurance companies. While demand has increased, little addition to the supply of equities has taken place. Tax laws make it cheaper for large corporations to finance by the sale of debt securities. Furthermore, the capital gains tax has frozen a large amount of stock that might come into the market were it not for the tax involved. The supply of investment stocks is slowly being diminished as institutional buyers take stock out of the trading market and place it in long term portfolios.

The important question that now arises is whether the stock market at its present price level of 540 has discounted all of the factors mentioned above. Over the long term, stock prices are effected by earnings, dividends and the money market, but over the short-term, investor confidence, or the lack of it, can be the dominating influence. In order to measure investor confidence I maintain some two thousand charts and graphs in order to follow the technical action of the equity market as a whole, and individual securities. Based on this work, the base formed in the six months between October 1957 and April 1958 indicated an advance to an initial 480-490 followed by a consolidation and a later 530-540, with only a momentary hesitation. While it is true that this upside objective has been reached, there are no important signs of a technical deterioration. There is, furthermore, a large amount of cash awaiting a technical correction to enter the market. However, markets of the past ten years have had a tendency to pursue a straight line course without any important intervening corrections. The 1953-1956 market, once it started, advanced for a year and a half without an intervening correction of importance.

The technical action of the 1200 individual issues I chart indicates that the majority of them are forming broad accumulation areas that indicate considerably higher levels between now and the early 1960s. The best course of action at the moment, therefore, is not to try and mastermind the market but to examine the outlook for individual issues. Concentration on values and a diligent search for increasing earnings will be as rewarding in the future as it has been in the past. The investor who worries about the market and who waits with trepidation may well find himself left at the post.

With Bache in Milw.

MILWAUKEE, Wis.—Louis J. Bellis, Captain, United States Navy, retired, is now associated with the Milwaukee, Wisconsin Branch of the investment firm of Bache & Co., 225 East Wisconsin Avenue, as a registered representative.

Prior to joining the Milwaukee office, Mr. Bellis had been with Bache & Co.'s main office in New York City, since May, 1958.

A graduate of the Naval Academy, Class of 1931, Mr. Bellis served in the Atlantic during World War II, and voluntarily retired on July 1, 1956 after a quarter century of service. He then was engaged in the Chrysler Corp. Missile Operations, Contracts Division, working on the Polaris Program.

Joins Walston Staff

(Special to The Financial Chronicle)

BAKERSFIELD, Calif. — Howard J. De Villeroy has been added to the staff of Walston & Co., Inc., 1704 Chester Avenue.

With Wilson, Johnson

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Leslie W. Jones is now with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

Blyth Group Offers Oxford Paper Debs.

Blyth & Co., Inc. and associates offered publicly yesterday (Oct. 15) an issue of $10,000,000 Oxford Paper Co. 4¾% convertible subordinated debentures, due Oct. 1, 1978 at par.

Net proceeds from the sale of the convertible subordinated debentures will be added to the general funds of the company to be used, together with retained earnings, to meet the cost of its capital improvements program for the years 1959 to 1962, inclusive. The total cost of these improvements, which are expected to be in operation in 1962, is estimated at $15,000,000. The company does not anticipate that further financing will be required for the completion of this program.

The debentures are convertible into common stock at $38 per share on or before Oct. 1, 1963, $42.50 thereafter and on or before Oct. 1, 1970 and $45 thereafter. They are redeemable at the option of the company at regular redemption prices ranging from 105% for those redeemed prior to Oct. 1, 1959 to 100% for those redeemed on or after Oct. 1, 1977; and for the sinking fund on and after Oct. 1, 1969 at 100%, in all cases with accrued interest.

Oxford Paper Co., together with its subsidiaries, all of which are wholly-owned, produces and sells paper for magazines, books, commercial printing, converting operations and specialties. It is believed to be one of the larger producers of these types of paper, accounting for about 8½% of the annual output of the book paper industry in the United States. During the year 1957, approximately 48% of the company's production of paper was sold to publishers of national weekly and monthly magazines, 17% to publishers of books, 10% for general commercial printing purposes, and the remaining 25% to the producers of envelopes, business papers, labels, box wraps and specialties.

For the seven months ended July 31, 1958, net sales of the company amounted to $34,727,000 and net income to $1,432,000 compared with net sales of $34,761,000 and net income of $1,788,000 for the same period of 1957. For the calendar year 1957, net sales were $58,686,000 and net income $3,364,000.

Inv. Women of Phila.

PHILADELPHIA, Pa. — "Fashions at Philmont," a luncheon-fashion show sponsored by the Investment Women's Club of Philadelphia will be presented at Philmont Country Club on Saturday, October 18, for members and their friends. Fashions will be by the Blum Store. Miss Marie Weeks of Newburger & Co. is chairman.

Continued from page 3

Speculation, Treasury Financing And Bond Decline

under the words **speculate** and **speculation.**

For example, to **speculate** is "to enter into a business transaction or venture from which the profits or returns are conjectural because the undertaking is out of the ordinary course of business." For example, "to purchase or sell with the expectation of profiting by anticipated, but conjectural fluctuations in price; often in a somewhat depreciative sense, to engage in hazardous business transactions for the chance of an unusually large profit; as to speculate in coffee, in sugar or in bank stock."

Then there is this illustration, namely, "speculate for differences." Reference is made to the London Stock Exchange and thereafter we find "to deal in stocks merely for a gambling profit to be made from temporary changes in price."

The latter certainly covers a lot of the transactions entered into by individuals and others when they purchased Treasury securities on margin in order to capture the "profit to be made from temporary changes in price."

Certainly in many instances of purchases of government securities on margin—even if the margin was 5% or 10%, instead of some of the lower percentages that have been bandied about—the commitment represented "a hazardous transaction for the chance of an unusually large profit" and in most such cases, "the undertaking was out of the ordinary course of business." I think it is fair to so characterize most of the marginal purchases of government securities by individuals and many stock exchange and investment banking houses—and some instances wherein business corporations, last June, decided to take on 6 year and 18 months' bonds instead of securities with a short term better suited to their requirements. And, if it is improper—as I am sure it is—to refer to these transactions as the actions of **speculators**, it must be fair to say that in some instances the purchases represented engaging in business out of the ordinary with the same kind of results that flow from unprofitable **speculation.**

I am sure that, in any event, most (perhaps all) would answer my question as to whether **you** engage in **speculation**, with a clear-cut "no." But, don't answer yet, please.

Under the word **speculation** we find this—"the faculty, act, process or product of intellectual examination or searching; a conclusion, or opinion, or decision reached as a result of thought and reasoning; especially, reasoning taking the form of prolonged and systematic analyses." Surely such processes and such conclusions are an inescapable part of the task of managing capital assets, and of participating in just about any and all kinds of markets.

Further, it has to be realized that sometimes a long familiarity with a market gives one an intuition that may not be entirely logical and may not be fitted within what we call "systematic analyses." But, I suspect that intuition so based might fall appropriately within what Webster describes as "reasoning about what transcends experience," or "theorizing on what does not admit of demonstration." I can think of a number of thoroughly successful investment managers who, from long observation of markets, let their "seat of the pants" judgments tell them when, and what to buy, and sell.

In other words, I think we should be very careful about swallowing — in hook, line and sinker fashion—all that has been written and said about **speculators** and **speculation** in the government security market. And we should "stop, look and listen" before agreeing with those who say regulations to cover the purchases (by other than regular dealers) of government securities (and other bonds) on margin is what is needed.

Maybe Mr. Webster had prescience of this because he thought it fitting to include a quotation by Mr. F. A. Walker as follows—

"Speculation, while confined within moderate limits is the agent for equalizing supply and demand, and rendering the fluctuations of price less sudden and abrupt than they would otherwise be."

Now how do you answer the question—do you engage in **speculation?**

Let us turn to Treasury financing.

Speculators and Treasury Financing

In January 1957 — just before the big decline of that year began—it began to be apparent that the government's finances would not be in good shape, as had been expected. They were apt to be in very poor shape, shortly. The Treasury had incurred unexpected nonbudgetary payments for savings bond redemptions, aid to the mortgage market, drawings by international agencies and the prospects were that it would meet with above-average attrition on refundings of marketable securities. In addition, the budget of the government seemed less likely to produce the large seasonal budget surplus that had been hoped for. The combination of mounting Federal expenditures and an unfavorable cash budget result set in motion the downspin in government security prices. This was followed by a somewhat doctrinaire determination on the part of the Treasury to sell securities with a term longer than one year, in a credit environment wherein few people were interested or willing to purchase such Treasury securities even if they had the money—which they didn't. However, the Treasury let it become increasingly plain that it was determined to achieve the impossible. Acting with a proper sense of the **speculation** that is necessary to the handling of investment portfolios—investors all over the country sat by and waited.

The fact that the Federal Reserve, with a great sense of responsibility, took the stand that—in light of the existing business and credit environment — "it seemed essential that the Treasury borrow as much as possible from savings or that any Treasury borrowing from banks be largely offset by curtailment in bank credit supplied" to private borrowers, heightened the degree of appropriate **speculation** engaged in by investors as this decline in government securities ran on apace.

I think it is safe to say that **speculators**, using the term in its popular sense, did not buy Government securities, on margin or otherwise, while this decline was going on.

Treasury's Open Appeal to Speculators

Finally, the Treasury was forced to place a rate of 4% on 1 year and 2 year securities and, to sell the latter, to include an option to the holder to continue to collect 4% for an additional 2 years if—but only if **he** wanted to.

By setting up these terms, the Treasury made a direct, open appeal **to speculators** and **for speculation.** The issue was successfully sold precisely because of the speculative appeal the Treasury tailored into this offering.

Later in the summer the Treasury again made a direct, open invitation to **speculators** and for **speculation.** It offered a $2\frac{1}{2}$ x 5 year 4% note and a 12 year 4% bond. The Treasury could not have sold either issue successfully except for the underwriting of **speculators** and the willingness of investors to engage in **speculation** as to the future course of business, future demands for credit and the possibility of a decline in interest rates.

In November 1957 the Federal Reserve made "a dramatic signal" of a change in the direction of credit policy. It perhaps is fair to add that this lowering of the discount rate actually was no more than a reversal of the increase made 3 months earlier — except for the fact the Fed was trying to signal this kind of turnabout. And, in so doing, the Fed pointedly invited **speculation** on a downturn in interest rates. Are **speculators** to be blamed because they saw the signal, too?

Immediately, the Treasury offered $3\frac{3}{4}$%, 5 year notes and the 17 year $3\frac{7}{8}$% bonds. Were it not for the underwriting of these offerings by **speculators** and by the **speculation** of investors throughout the country, these offerings would not have been successfully taken. Institutional investors had no money. The banks had no money. And, where this was not true in each and every instance, there can be no doubt that the aggregate sums people were willing to **invest**—without regard to what might happen to Treasury securities and interest rates—amounted to but a fraction of the amount of notes and bonds sold by the Treasury at that time.

When we came to the next Treasury financing operation—the large refunding launched in January — the whole theory of the operation was that it should be set up to appeal to the rife **speculation** existing throughout the country that interest rates were bound to move lower. The whole theory of the financing was—"you had better get aboard now because it may be too late later on." To make sure that **speculators** and investors (who perforce must engage in **speculation** in the ordinary course of their business) would not be deterred — the Treasury undercut the long-term interest rate by a full $\frac{1}{4}$ of 1%. This was equivalent to undercutting the market price by 5 whole points: Surely, the **speculators** weren't supposed to sit idly by.

Shortly thereafter, the Treasury came to market for cash. What was the situation? Some people went down to Washington with the idea of trying — to quote a friend of mine—"to get another 3% bond because it doesn't look like we will have much of a chance unless we get it now." The Treasury obliged. **Speculators** and **speculation** took hold once more.

By the time the next Treasury offering came—the $2\frac{5}{8}$s of 1963—also offered for cash — everybody in the market had been well inoculated with the idea that they should **speculate** on lower interest rates and higher bonds prices. It is worthwhile pointing out here, too, that because of the high rates of taxation prevailing for the ordinary incomes of individuals and corporations, few people had been willing to sell securities purchased earlier. Everyone was waiting to establish a long-term gain at the more favorable tax rates that apply. Hence, the faster prices went up—the happier everyone was. Why sell anything?

Overdoing the Speculative Appeal

Every period of **speculation**—and I use the term here in both its popular and appropriate senses—tends to get overdone. By early May it had become clear that we either had or shortly would reach such a point.

Another quotation in Webster's dictionary is appropriate. This one is from Milton:

"Thenceforth to speculations high or deep I turned my thoughts".

In such a spirit, the market met the Treasury's June financing, and the activities of **speculators** became somewhat excessive. As usual, many people learned too late how they might enter into transactions "out of the ordinary course of business" and hope to make "a profit from conjectural fluctuations in—price".

Unfortunately, a few people or firms in the security business—not in the Government security business—sought to capitalize on this state of mind. To help their sales effort a tax "gimmick" was bandied about. I wondered at the time, and have wondered since, whether those who suddenly became "experts" in taxation knew what they were doing or knew no more about it than the glib financial writer who described a transaction that would not offer the envisioned tax deductions at all.

In any event, as is usual in periods of abnormal **speculation** (by investors as well as by **speculators**) a lot of people got in too late or stayed in too long. Such a result is the best protection that can be devised against a return of abnormal **speculation** in the near future. I wonder whether the Treasury will be truly pleased as proof of this comes home in future Treasury attempts to lengthen the maturities of its debt.

Commercial Banks Supplied Money

There is another aspect of this particular period on which more attention should be focused. Marginal purchases of Government securities cannot be made except as people are willing to advance the money. Unquestionably, some nonfinancial corporations were enticed into financing some such transactions, but I am confident that the bulk of the money came from commercial banks.

There were two steps to most of these—which included largely purchases of the $2\frac{5}{8}$% bonds and the $2\frac{7}{8}$% notes maturing June 15. In a typical instance, the lender would advance the buyer a sum equal to the par value of the Treasury securities purchased. The advances were for 30 to 60 days or thereabouts. The buyers put up modest sums, equal in some cases, to no more than the premium of $\frac{3}{8}$% to $\frac{1}{2}$% at which these securities were selling (above 100) in the market. The party financing the transaction earned $2\frac{3}{8}$% or $2\frac{7}{8}$% on his money at a time when he otherwise could earn only a fraction of that in the open market. Moreover, it may be said that the Treasury indirectly guaranteed these loans since the Treasury would pay off the securities at maturity—that is, when the buyer was due to repay his advance. In such instances, the fact that money was advanced to unknown names — names that could be taken from the inscription on a slab in a cemetery—was not of practical importance.

Firm Unduly Blamed

There were many instances, however, where the understanding with regard to the loan or advance went further. Speculators also contracted to purchase on a delivery-when-issued basis, at a predetermined price, such securities as the Treasury offered to refund these maturing bonds—regardless of whether the market price of the new issue happened to be higher or lower as of the agreed-upon date. Such arrangements were typical of those that later produced forced liquidation, and resulted in the suspension of the senior partner of one New York Stock Exchange firm.

I want to say that this Stock Exchange firm probably has taken more than its full share of the overall blame

However, the aspect of this recent experience that prays for consideration has to do with the arrangements under which advances were made to **speculators.** Back in the days of the Pecora investigation, J. P. Morgan said something to the effect that his banking firm did not lend on the collateral it received, it lent on the character and integrity of the borrower. A vast number of the arrangements made in connection with the Treasury's June refunding later involved the carry of what turned out to be the $2\frac{5}{8}$s of 1965 (and perhaps other Treasury securities as well). These arrangements also entailed lending or advancing money to unknown people whose character and integrity could not be, or were not ascertained. There is no question but that the lending or advancing of money to people (for transactions beyond the realm of their ordinary business or trade) on thin margins is a poor lending practice. That such loans and advances were made without first-hand knowledge of the character and integrity of "the borrower" was hard to believe, at first—but true. It was hard to believe because many banks do frequently turn away individuals who wish to borrow to purchase Government securities for **speculation,** even when the individual is willing to put up a margin of 5% or 10%.

In this connection, Mr. Wolcott pointed out in the Annual Report of the F.D.I.C. that neither the existence of that organization, nor of the improvements in banking and banking supervision that have been made, can be counted upon to prevent bank failures that are due to economic dislocations of a fundamental nature or mismanagement — to which might be added, or poor lending practices. It is one thing to finance professional dealers on thin margins where these are of unquestioned character and integrity and where they have demonstrated that they know what they are doing. It is quite another thing to finance, even on somewhat larger margins, people whose character and qualifications are unknown in order that they may enter into transactions that are outside of their normal business or trade.

In all events, however, may I observe that excessive **speculation** tends to be self-correcting. I am sure that it would be much more difficult for **speculators** to enter the Treasury security market as freely as they did last spring. In addition, I am sure that a number will not want to try again, soon. Their losses were too severe.

Opposes Regulating Dealers

Therefore, it is hoped that those who are inclined to push for regulations to cover marginal purchases of Government securities, for other than dealers, will be discouraged. The Treasury benefited handsomely from its earlier invitations to **speculators** and to others to engage in **speculation.** It may want to do so again. In fact, it may find it necessary to do so. We had best not put up the bars any higher than are called for by proper lending practices, wherein proper weight is given to the character and integrity of the persons who request the loan or advance.

There is an interesting aspect of all the stories that were written about **speculators** being forced to dump their holdings in the market. As prices moved lower and lower, last July particularly, the press carried stories that this was caused by the dumping of **speculators.** Did you ever stop to think

who it was that bought all these securities that the **speculators** dumped? After all, it is axiomatic that every time a **speculator** sold someone else had to buy. And, it couldn't have been Government security dealers buying for their own accounts. If so, they would be out of business now.

The answer is that investors—principally banks—bought as the **speculators** unloaded, or were forced to unload. What happened was like two squirrels chasing each other around a whirling cage.

The Selling Wave

First, **speculators** sold. Banks and others bought. We had not seen such a broad demand for a security, for the new 2⅝s of 1965, for more than 6 years. Six years ago, we saw the same sort of thing go on when the Treasury brought out the 2⅞% bonds that matured last June. When, however, prices did not recover after the first deluge of 2⅝s from **speculators**, some banks decided to reduce their own comitments, that is, they decided to reduce the size of their own—speculative is the right word—**speculative** purchases. This brought on more selling by **speculators** which was followed, in turn, by adjustments in the bond holdings of banks—sales of Treasury bonds by banks.

In general, the **speculators** sold the 2⅝s and investors sold other outstanding bonds. These were bought by other banks who, in turn, sold other Treasury securities.

Eventually, the price movements—downward—were induced by decreasing amounts of selling because fewer and fewer buyers could be found.

Why? First of all, an increasing number of people became convinced that the bull market in bonds was over. Then, as prices reached what ordinarily would seem like "bargain levels"—the rapid recovery in business made bargain hunters cautious.

Another dominant force in the market was the mounting cash needs of the Treasury—in a period when it was becoming increasingly plain that the Treasury would be unable to sell securities with a term longer than one year.

Then, there was the matter of a seemingly irresistible upward push in stock prices. This has given rise to the impression—which I think has substance—that the public generally has become alarmed, not just over the need of the Treasury to raise cash during a business recovery, but at the demonstrated inability of the Government to prevent nondefense spending from increasing year after year. This demonstrated lack of control invites the belief that the budget deficit the Treasury faces this year may be but the first of another long list of deficits.

Disputes Treasurer's Advice

Incidentally, recently the Secretary of the Treasury suggested that non-bank institutional investors buy Treasury bonds instead of selling these; such purchases, he said, would help preserve the purchasing power of the dollar by decreasing the need of the Treasury to borrow from the banks. Our non-bank financial institutions could not possibly absorb more than a small increment of the annual rate of increase in Federal spending. Our nonbank financial institutions could not absorb more than a small fraction of this year's deficit. Our nonbank institutions could not save the Government from its folly — if they wanted to.

Further, I am sure these institutions should not try to do so by preferring Government securities to other investments. Their first and primary responsibility is to faithfully discharge the trust of those whose funds they receive and hold—people who already are scarred and who are becoming increasingly fearful for the safety of the purchasing power of their dollar—tomorrow.

What the Government Should Do

In essence, therefore, the Government security market has been demonstrating how powerful the forces of Federal improvidence can become. If the Secretary of the Treasury is to meet with a more receptive demand for Treasury securities with a term longer than one year, then the Government as a whole must demonstrate more regard for the little fellow who tries to save—in order to obtain some independent financial security for himself and his family—than it has so far.

In closing, let me say that I think the **speculators**—many of whom were badly burnt recently—may well deserve a vote of thanks. Some have claimed that the activities of these **speculators** damaged the credit of the Government of the United States. I look at it a bit differently. I think the activities of the **speculators**, first, helped the Treasury to further its objective of lengthening the debt. Then, because their activities became excessive and they took a good licking—they helped to focus attention on the pressing nature of the need for the Government to cut down nondefense spending, and to strengthen the budget, in order to **avoid** damage to the credit of the United States.

With Security Investment

MT. VERNON, Ill.—Robert L. Guill is now with Security Investment Company, 1501½ Broadway.

Carl E. Brueckmann With Goldman, Sachs & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Carl E. Brueckmann has become associated with Goldman, Sachs & Co., 314 North Broadway. Mr. Brueckmann was formerly an officer of the International Shoe Company with which he had been associated for fifty years.

With Reinholdt Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Harold E. Shively has become connected with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

P. W. Brooks Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Paul W. Judson is now with P. W. Brooks & Co., Incorporated, 1562 Main Street.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert W. Sanford is now affiliated with Coburn & Middlebrook, Incorporated, 75 Federal Street.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gerald M. Cooper has joined the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

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As We See It

much to say about what might or would happen were the country to go heavily Democratic this autumn.

A Political Dilemma

Arthur Krock, writing in the New York "Times" last Sunday, spoke of the logical necessity of the authors of the recent White House statement of issues "to ignore the record of the 85th Congress, where the Democratic leadership salvaged major legislative proposals of the President that were threatened by Republican defection." Of course, it is also true that since leaders in the Democratic party came to the rescue of the Republican program, it will not be very appropriate for the Democratic stump orators to condemn that program boots and britches. The fact seems to be that the record of this year's legislation—for what it is worth—is as much to the credit or discredit of one party as the other. For a good many years basic differences between the two parties have been disappearing in the political mists. With President Eisenhower as the leader of the Republican party, it is often difficult to distinguish between what it officially stands for and the programs of the more stable elements in the Democratic party. The situation by which the candidates in the current election campaigns are faced is an inevitable result of historical political fact.

Of course, there are ultra-New Dealers in the Democratic party who are seeking seats in Congress. Some of them are now busily preaching doctrines which in some instances out-Roosevelt Roosevelt. Some of them have important followings in their states or localities. The extent to which they presently fill the seats in the House and Senate may well decide whether the quality and record of the next Congress will be similar to that of the 85th.

Chester Bowles is putting on such a campaign in the state of Connecticut. He is demanding artificially enlarged money supply and perpetually low interest rates to stimulate business and increase employment. He is applying this neo-Keynesian doctrine to the problems of his state. Only the returns on election day will tell whether he is making real headway among the people. Ex-president Truman is doing much the same sort of thing and may substantially help such visionaries as Mr. Bowles. Of course, the recent steps of the Federal Reserve in trying to keep the economic affairs of the country under some sort of control is being lambasted by all such campaigners. There are others who would insist upon artificially low interest rates at all times. None of them appear to have given a thought to what they are really saying. To them, apparently, money grows on trees or better perhaps bubbles up from streams all over the country.

None of them give a thought to the interests of the individual who has frugally laid aside some of his income and thus built up a supply of funds to support industrial expansion without inflation. They never seem to give any consideration, either, to the vast number of men and women who must in their old age live on pensions and other fixed income, not even those whose votes they have been seeking via the social security program. It is obvious that policies advocated by such as these could hardly fail to give rise to higher and ever higher costs of living. But one does not have to look far or long for Republicans who are slaves of similar doctrines. In point of fact, the President himself has upon more than one occasion shown weaknesses of this sort—though with more moderation than some of the others.

Some Saner Elements

Of course, there are elements in the Democratic party who are not given to such nonsense, and there are members of the President's party who know better. In neither case, however, are they to be identified merely by their condemnation of the New Deal. Senator Taft was a consistent and doubtless quite sincere critic of the New Deal, but in a number of his proposals one could hardly fail to see the essence of New Dealism. So it is with a number of his followers still left upon the scene. In any event, it must be said in all candor that the Republican party today has many taints of New Dealism, so much so that it can hardly go out to the voters attacking the New Deal and the Fair Deal except with their tongues in their cheeks.

These are, of course, disheartening facts, and facts which inevitably will impress themselves more and more upon the consciousness of intelligent voters as the current campaign progresses. The really big problem in this country today, perhaps in the world today, is that of finding some means of getting the thinking of the people back on more solid economic grounds. We made almost incredible progress during the century and a half of our existence before the New Deal came upon us. We shall not match that record in the future unless we can get our operations and our thinking back to something much closer to what existed during these decades.

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The Seeds of Inflation and Banking's Glaring Weakness

period our cost of living increased by \$36 billion, which, in effect, was the same as if our personal income tax had been doubled. We are not seeing any rush to convert dollars into tangible goods or real estate. All forms of savings are continuing to pile up and the people are reducing their debt. So far in 1958, debt repayments on instalment purchases have exceeded new debt at an annual rate of \$1½ billion. This, of course, is deflationary right now but, on the other hand, it means that our people are getting themselves into a position where they will, at most any time, feel that they can incur substantial additional debt. When that happens, the result will be inflationary. While it may not happen for some time, if the Middle East situation should develop into another Korea, it could happen almost overnight.

Looking beyond the immediate future, it would seem that there are many reasons to think that the long-term trend is highly inflationary. We read that, in the five years ahead, our Federal Government is likely to spend an average of \$80 billion each year with a resulting deficit of somewhere between \$25 to \$40 billion.

Another factor in our current economy that is highly inflationary, is the matter of the automatic wage increases that are given so many American workers from year to year under the terms of contracts made several years back. Some of these provide for regular increases at stated intervals, some provide for increases based on the cost of living, but not enough of them are geared to increases in productivity. Basically, about the only wage increase that is not inflationary is the increase that is based on productivity. Otherwise, wage increases can only be provided for by corollary price increases which feed the fires of inflation.

Hope for Consumer Resistance

The thing we may hope will counterbalance these inflationary forces is the apparently growing resistance of the American consumer to price increases without equal quality or productivity improvements. One of the worries of many economists is the fact that in times of recession, manufacturers are cutting production and maintaining prices rather than cutting prices in order to attract more purchasers. The converse of this is that in times of high demand, these same manufacturers are simply increasing prices (to take advantage of potential increased profits) rather than increasing production to supply the demand. This process in itself can only be inflationary and, unless this philosophy is reversed, future prosperity will increase the rate of inflation and thus the further decline of the value of the dollar.

One of the bright spots in this whole, inflationary picture is the capacity of industry to produce. Much of our industry is actually producing at rates not much in excess of 50 to 60% of capacity. Therefore, to utilize full capacity, plants will be operating on a highly competitive basis which, of course, will have the tendency to hold down prices and put a lid on wage increases which should result in downward pressure on prices.

An example of this kind of situation is that during the recent round of steel price increases, the United States Steel Corporation cut prices of some of its products because of what they called "competitive market conditions."

Bankers Must Stop Inflation

From this we can see that inflation is not necessarily unavoidable. However, as managers of a fixed dollar type of financial institution, it is up to us to recognize the danger of further inflation and to contribute our best efforts to the prevention of an unhealthy, runaway inflation.

Many economists and political leaders believe that our system is healthiest if there is some slight constant rise in prices, such as 1 or 2% a year. This is probably true if productivity rises in proportion through greater efficiency and development of new products and the improvement of present goods.

We need to recognize that there is such a problem and, of equal importance, it is necessary that we not be panicked into a passive acceptance of unwarranted inflation and, on the other hand, that we not be panicked into the belief that certain amount of inflation is utterly disastrous. In other words, the ideal would be a medium point whereby price increases are accompanied by these productivity improvements.

Politics of Inflation

We need to recognize that present day economics are greatly affected by political considerations. Now, what are the politics of inflation? Generally speaking, the financial leaders of the country think that inflation is a bad thing, and the political leaders of the country think that inflation, at least to a limited extent, may be a good thing. I am not prepared to say that these political leaders are entirely wrong. Certainly in limited amounts and for short periods of time, inflation can be a stimulating and healthful development for great segments of our voting population. Can we say that the inflation that has occurred since World War II has resulted in a lower or worse standard of living for the average family than the deflation of the 1930's? Obviously, the answer is "No." Most American families are far better off in 1958 than they were in 1938, economically. Farmers, laborers, professional people —most all classes of currently productive persons—are better off than those classes were 20 years ago.

On the other hand, a large and growing segment of our population are the ones who stand to suffer the most from uncontrolled inflation. Government workers, old folks living on fixed pensions or annuities or savings—all those who cannot adjust their incomes in proportion to the rate of inflation — have lost a significant amount of the purchasing power of their incomes during the past 20 years. Up to recently, these groups were neither large enough or vocal enough to have much effect on the thinking of the political leaders as to inflation. However, all of these groups are growing in both numbers and ability to express themselves. Certainly the older people—beyond their productive years—living on fixed incomes from pension or annuities or savings—are increasing in numbers every year. Political candidates and leaders are recognizing this important group more and more.

In this past 20-year period, our country has been constantly moving farther and farther to the left in its political thinking. The steady drift of the philosophies of the two great political parties to the left has been accompanied by greater and greater emphasis on governmental measures that are inflationary in effect and increasingly socialistic in nature. The question now is, do we want to do anything about it, and if we do, what can we do about it?

Variable Savings Accounts

As to the first of this double-barreled question—do we want to do anything about it—the one great problem of our business is to sell people on the idea of investing money with us which, when they withdraw it five or 10 years hence, will be worth less than it was when they invested it with us. Perhaps some day we will come up with a variable savings account to counteract the effects of inflation, just as some life insurance companies are now offering variable annuities to accomplish that purpose. In the meantime — until our brains can devise such a variable savings account—it seems to me we may have a real problem in holding the interest of at least a part of our thrift customers in our type of investment.

Three years ago, in the summer of 1955, a good many managing officers were surprised at the number of savers who withdrew funds from savings accounts and invested them in the common stock market, gambling on a continuation of the upward stock market price spiral, and also as a hedge against inflation. While I believe we have a hard core of savers who invest with us because they are sold on our institutions as safe places to keep their money, and as a place where they can get their money when they want it—liquidity—still, I think there may be an increasing proportion of our savings customers who are becoming alert to the effect of substantial inflation on savings accounts.

You will recall that in the last two or three years, there have been some efforts made by investment brokers to sell the small investor on the idea of purchasing common stocks on a monthly instalment basis. While this plan has not met with very great success so far, we ought to recognize that with increased financial sophistication, more and more of our potential thrift customers may be sold on that type of investment for a variety of reasons. We should therefore plan our own defenses and do our part in the protection of the stability of our economy and dollar in order to protect the salability of our type of investment.

I believe I have made the point as to why we should do something to protect this economic stability —to continue our traditional offer to the people of our community to protect the value of their money to them as well as the security of their investment with us.

Well, what can we do about it? Now, I have no crystal ball into which I may gaze and come up with the answers to this problem. Neither do the money managers of the government nor the financial leaders of the country. These money managers and financial leaders need to have awfully good

vision to figure out what lies in the future for us.

Seeds of Inflation Present a Dilemma

About all that can be said at any given time is that we must keep up with changing conditions and trends and do our current planning with these conditions and trends in mind so as to preserve this stability we need so bodly. A year ago when we were at the peak of a boom, our thinking and planning was different than it is today, when we are bottoming out of the recent recession. We have had a very little bit of deflation, relative to a year ago, and appear to be heading into a period which, while probably of a fairly stable character, has in it the seeds of inflation. To destroy these seeds would be to throw us back into recession, but to permit them to grow uncontrolled—as a cancer—would only result in their consuming the healthy tissue of our economy.

In this country we have no direct control over prices and wages as they have in a totalitarian state. Because of political considerations —realistic as they are—we have no program of raising taxes to balance the Federal budget so as to remove the danger of deficit spending. Since the end of World War II and Korean controls, about the only anti-inflationary weapons we have are those that are exercised by the Federal Reserve, such as its recent increase from 50 to 70% in the amount of equity required to purchase common stocks and its approval of the increase in the rediscount rate of several of the Federal Reserve Banks. Additionally, the Open Market Committee of the Fed can and does have some effect on money rates through its operations in the government securities market. Failure to use these credit control powers wisely and in time could result in the kind of runaway inflation which leads to a totalitarian state with all its terrible consequences.

The real answers to these problems will depend upon how well each of us discharges his responsibility as a savings and loan manager and American businessman in devoting himself to the solution of the problems. If we bend our best study efforts towards them and if we take advantage of all information we can assemble on the subject, come to our own conclusions and then, through our own efforts, through our trade associations, and through every other vehicle available to us, do our part to safeguard our economy, there is great hope that a sound economic climate can be maintained for our old age and for the generations which follow us. On the other hand, if we sit back—fat, dumb and happy—and let the world roll by, we cannot be heard to complain if disaster overtakes us. It is therefore up to each and every one of us, singly and as individuals, to make our contribution to the future of America and of our business by our unending efforts to solve these problems.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Eddie M. Shimooka is now affiliated with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Elbridge Warner

Elbridge S. Warner, a partner in Hayden, Miller & Co., Cleveland, Ohio, passed away Sept. 27 at the age of 62 following a long illness.

Ralph T. Sayles

Ralph T. Sayles passed away October 8th at the age of 71. Mr. Sayles had been executive vice president of Loomis, Sayes & Co., Inc.

Business Upturn Continues Momentum

Purchasing agents survey themselves and find that the upturn goes on with generally renewed optimism and relatively satisfactory balance between ratio of finished goods inventories to unfinished goods.

Purchasing agents' survey reveals composite opinion that business continues to get better.

According to the purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee "we do not have anything approaching a boom; there is renewed optimism on many fronts. Enough information about new auto models has leaded out to stimulate enthusiasm for an early return to normalcy in this industry," Chairman of the Committee is Chester J. Ogden, Vice-President, Detroit Edison Co., Detroit.

"While spotty strikes still hamper the smooth flow of production, Purchasing Executives again report sharp increases in both production and new orders. This month, 53% report an improvement in their production rates, compared to 45% in August. Only 9% say their production is off. An even greater number, 58%, say their new order situation has improved, with only 13% reporting it as worse.

"Commodity prices are up a little but careful buyers are still able to negotiate favorably on most items. With the upturn in business, it might be expected that there would be a desire to increase unfinished goods inventories but no such trends is apparent.

"As would be expected with higher production, employment is up and prospects are bright for further improvement. The most static of all criteria for the past few months has been buying policy. There apparently is nothing in the picture to cause Purchasing Executives to lengthen their forward coverage commitments.

"This month, our special question sought to determine if there had been any major shift in the ratio of inventories of finished goods to unfinished goods.

"Surprisingly, managements have been able to keep a relatively satisfactory balance between the two. Those reporting their finished goods as higher in proportion to their unfinished goods are 30%, with 41% having a higher ratio of unfinished to finished goods, and 29% say there is no change.

Commodity Prices

"While the magnitude of the change is small, commodity prices continue the upward trend that began so abruptly last month. Our members say that it is becoming more difficult to find discounts from list prices—but they are still available on many items. Over-all, 48% of our committee members say prices are up, 46% report no change and 6% say there have been decreases.

Inventories

"Purchasing Executives are still holding a tight rein on their inventories. While prices have moved up very moderately in the last two months, our members do not see anything in the price or supply picture that leads them to an inventory accumulation program. Statistically, 35% say that, in the past month, they have effected further reductions in their materials on hand; 50% report no change, and 15% had more material on hand at the end of the month than they had at the beginning.

Employment

"Another upward movement in the employment figures this month makes this September report the most optimistic since September 1955. While 26% reported a better employment situation in August, 30% so report this month. Only 14% say their employment roles have dropped and 56% report no change. Settlement of the few remaining major labor contracts appears to be the major cause for concern over a continuation of the upward trend.

Buying Policy

"No apparent desire to extend commitments has shown up yet as all materials still seem to be in plentiful supply and readily available.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
SEPTEMBER					
Production Materials	6	42	38	12	2
MRO Supplies	25	51	18	5	1
Capital Expenditures	11	6	22	28	33
AUGUST					
Production Materials	10	42	36	10	2
MRO Supplies	29	48	19	3	1
Capital Expenditures	16	9	23	26	26

Specific Commodity Changes

"Some commodities like fuel oil, linseed oil and certain food products are reflecting local conditions, which result in some members reporting price increases and others reporting price decreases for the same item.

"On the *up* side are: Copper, lead, steel, steel scrap, wastepaper, lumber rubber, electric motors, refractories, fasteners, bearings, industrial alcohols, helium and brucine.

On the *down* side are: Tin, coffee and gasoline.

In *short* supply are: Helium and brucine."

W. V. C. Ruxton

William V. C. Ruxton passed away October 8th at the age of 66. Prior to his retirement he was a partner in Spencer Trask & Co. Mr. Ruxton was a former governor of the New York Stock Exchange.

Joins Westheimer Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Harmon H. Neal has become affiliated with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Two With Geo. Baker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles C. Carlson and James G. Currie are now with George M. Baker & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Carlson was formerly with E. F. Hutton & Company; Mr. Currie was with Alm, Kane, Rogers & Co.

Russell Le Vesque Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — George C. Cavis Jr. has been added to the staff of Russell J. Le Vesque and Associates, 321 South Beverly Drive.

Walston Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John P. Row has become connected with Walston & Co., Inc., 265 Montgomery Street.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert M. Stockman and Daniel W. Woolley III are now with Kidder, Peabody & Co., 210 West Seventh St.

Keller Bros. Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John Ward has been added to the staff of Keller Brothers Securities Co., Inc., Zero Court Street.

Continued from first page

A Non-Optimistic View of The Stock Market Outlook

the stock market. It must be conceded that the performance of the market during the six years since 1952 has provided convincing evidence of its ability to recover from the intermediate reactions of 1953, October 1955, spring and autumn of 1956 and January-February 1957.

Unexpected Results of Financial Reforms

The recovery by the average to new highs following the 20% decline from 523 in July 1957 to 416 in October has been most impressive. However, there has been one aspect of the recovery that is not entirely reassuring. Detailed technical analysis shows that, while the average has recovered to new highs, many important individual issues have not been able to exceed highs recorded during the years 1954-1957. This is an abnormal scattering of major highs for important leading stocks and is one of the unexpected results of financial reforms over the past 40 years.

A century of what was regarded as a normal stock market-business relationship was disrupted in 1929 when the stock market continued a major advance a little beyond the peak of industrial activity. This record of the 1929 New Era has now been succeeded by a performance in which the Dow-Jones industrial average has established a new major top 21 months after the high reached by the Federal Reserve Board's index of industrial production in December 1956.

The 1929-1932 and 1956-1958 performances were made possible by the elasticity of credit control provided by the Federal Reserve System. Prior to this banking reform the peaks of five previous New Era stock markets were reached many months before there were any indications of deterioration in industrial production. In the first New Era, accompanying the financing of the infant railroad industry, average stock prices reached a high in May 1835 while business continued prosperous into the spring of 1837. In the New Era boom during and after the Civil War, stock prices reached a high in May 1869 while serious business difficulties did not develop until the autumn of 1873. A New Era stock market peak in June 1881 preceded the appearance of a major decline in business by more than two years. The top of the stock market in January 1906 was followed by a major decline that was completed by the time industrial activity dropped below normal in November 1907.

SEC's Unsuccessful Mandate

The 1929-1932 experience of a financial deflation coinciding with a business deflation resulted in a depression so serious and so intimately related to the stock market that drastic reform of the market was inevitable. The Federal Reserve in addition to overall credit control was given control of margins and the Securities and Exchange Commission was created to see that the stock market would never again present the problem that it did from 1929 to 1932. In addition to high margins, the reforms included the elimination of professional pool operations strict control of short selling. However, nothing positive was done about the problem of preventing frenzied bull markets while business is prosperous and disastrous bear markets coinciding with major declines in business activity, although the Securities and Exchange Commission was supposed to eliminate, among other things, "sudden and unreasonable fluctuations in the prices of securities."

It is the "sudden and unreasonable fluctuations in the prices of securities" in the past few years that raise serious doubts regarding the market's ability to keep the 1953-1958 New Era bull market going for another five years. From a technical point of view the six New Era bull markets since 1830 have merely been relatively brief periods of "sudden and unreasonable fluctuations in the prices of securities." A comparison of the performance of the industrial average from 1932 to 1952 with its action from September 1953 to April 1956 helps to illustrate the difference between a fairly normal market and a New Era. In the twenty years from 1932 to 1952 the average advanced a total of 255 points from a low of 40 to a high at 295. This gave an average rate of advance of 13 points a year for twenty years. An abrupt break with the twenty year pattern is demonstrated by the 270 point advance from 254 to 524 in two and one-half years, or an average rate of more than 100 points a year.

Underlying "Stilt Formations"

The ability of the average to reach new highs in the past month should not obscure the fact that approximately three-quarters of the issues listed on the New York Stock Exchange are not participating in the advance to new record highs. Many that are going along with the average are balanced on rather vulnerable stilt formations. These stilts won't last much longer and when they succumb there is no important segment of the market left to carry on the New Era boom for another five years.

A stilt formation results from a concentrated advance in which the price of a stock within a relatively short period of time shows a net gain very much greater than the amount it had advanced over a number of years. Usually the period of rapid advance occurs following a more normal rate of uptrend that finally carries the stock to levels higher than it has ever sold before.

Offers Alcoa As An Example

Striking examples of stilt formations are provided by the performance of the common stock of Aluminum Co. of America between 1926 and 1958. From 1926 to March 1929, Alcoa ranged between 5 and 16 (in terms of the shares now being traded). In April 1929, however, an advance started that carried the price from 14 to 43 in August. In five months Alcoa had a range of 29 points, more than double its extreme range of the preceding three years. The instability of this kind of a stilt formation is shown by the fact that between August and November, 1929, Alcoa declined from 43 to 15.

It was this kind of performance that resulted in the Securities and Exchange Act in order to make certain that there would never be another period of New Era type speculation. As reflected in the market action of Alcoa from 1932 to 1953 there was every reason to believe that regulation of speculation had eliminated any possibility of another New Era boom. Between 1936 and July 1953, Alcoa traded in a 20 point range between 5 and 25. From July 1953 to June 1954 Alcoa doubled its range by advancing from 25 to 45 and in the process reached new all-time highs by exceeding the 1929 peak at 43. This foray into virgin price territory prepared the way for a great stilt formation that, beginning in January 1955, carried Alcoa to 133 by August 1956. This net gain of 88 points in twenty months was more than double the extreme range of the preceding eighteen years.

Some of the 500,000 new customers on annual average that have been getting into the market may well have helped Alcoa on its way from 45 to 133. They were unable, however, to keep the stock from declining to 88 between August and November in 1956 and ultimately reaching a low of 60 in December 1957. The generally accepted belief that even if good stocks are high now they will be still higher within five years could prove to be extremely misleading in the case of many popular stilt formation issues in the great New Era bull market of 1954-1958. From 1932 to 1956 Alcoa did reach new highs on average every five years. However, it did take Alcoa 25 years to exceed the New Era high of 1929. And getting back to 133 now will be much more difficult than when Alcoa was free-wheeling from 60 to 133 between May 1955 and August 1956.

Conclusion

The past performance record of Alcoa has been given in detail to provide an example of the kind of thing that can happen to the highest quality stocks after they have been subjected to the full stilt formation treatment. As previously indicated, it is difficult to fit the current crop of stilt formations into the concept of a new bull market unaccountably getting under way. Certainly the 1958 performance of such groups as the drugs, finance companies, foods and food chains, office and business equipment and cigarette manufacturers looks more like the climax of a great stock market boom rather than the beginning of a new bull market.

Transcontinental Gas Common Stock Offered

An underwriting group headed by White, Weld & Co. and Stone & Webster Securities Corp. is offering 600,000 shares of Transcontinental Gas Pipe Line Corp. common stock to the public today (Oct. 16). The stock is priced at \$23.37½ per share.

Of the net proceeds from the sale of the stock, \$8,000,000 will be used to repay a portion of outstanding bank loans. The balance of the proceeds will be added to the general funds of the company. The company estimates that it will spend approximately \$118,700,000 after June 30, 1958 for construction work which was scheduled at that date for completion in 1958 and 1959. Additional funds necessary for the scheduled construction program are expected to be obtained from bank borrowings, general funds of the company, and the sale of additional debt or equity securities, or both, in amounts and at times which cannot now be determined.

Transcontinental Gas Pipe Line Corp. owns and operates an interstate pipeline system for the transportation and sale of natural gas. Its main pipeline system extends 1,842 miles from the Texas and Louisiana Gulf Coast to the New York-New Jersey-Philadelphia metropolitan area and has a present allocated capacity of 953,014 MCF per day, exclusive of gas available from storage.

Forms Securities Planners

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert E. Crawford Jr. is engaging in a securities business from offices at 3412 Geary Boulevard under the firm name of Securities Planners Co.

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The State of Trade and Industry

total for the first nine months of 1958 slightly exceeded that of the comparable period last year.

In the automotive industry last week strikes completely knocked out General Motors assembly work and partially impaired Chrysler Corp. production as United States car makers struggled to get 1959 model operations going on a full-throttle basis, "Ward's Automotive Reports" declared on Friday last.

The statistical publication estimated the past week's output at 33,798 passenger cars and 11,048 trucks, counts that fell below the previous week's totals of 34,464 cars and 14,313 trucks.

Although various General Motors supplier plants during the week resolved the local grievances that had kept them idle since Oct. 2, the corporation's assembly activity remained under wraps and no cars or trucks were built.

According to "Ward's" only three plants of Chrysler Corp., the Imperial and Dodge main factories in Detroit and the Los Angeles unit, were unscathed by labor disputes. Only 8,350 Chrysler Corp. cars were programmed last week.

The other three manufacturers, in contrast, were building up their productive energies. This agency noted that Ford Division would have all of its assembly plants turning out 1959 models by Friday (last) and was scheduling eight sites for Saturday work. Mercury, only car maker still to get new model output underway, starts this week. Studebaker-Packard planned its first five-day week of the model year. American Motors, with six days programmed, hiked production to an all-time AM weekly high of 6,000 units.

In commenting on new car sales, "Ward's" declared that a daily average of 11,250 units was attained Sept. 21-30, an increase of 25% over the preceding 10-day average of 8,990. The daily rate of sales for the entire month of September was 10,240 cars, however, 17.8% below August's 12,461 figure. A September fall-off had been forecast, since the month was basically a 1958 model cleanup period.

Steel Output Scheduled This Week to Rise Further to 73.6% of Ingot Capacity

Steelmakers' optimism is reaching a new high as the automotive industry moves into full production of 1959 models, "Steel" magazine reported on Monday last.

Detroit's steel buyers are releasing the orders they held back when strikes stopped their assembly lines, the metalworking weekly observed.

As they boost production, they will expand their inventories from 14 to 30 days and try to keep them at that level. How often they will buy will depend on how well the new cars sell. First reports suggest a good car year is in the making.

Optimism is also the keynote in barometric partmaking industries. A "Steel" survey of makers of castings, forgings, stampings, gears, motors and other parts indicates that the fourth quarter will be the best quarter of the year. These parts must be ordered well in advance of end product manufacture.

Component producers now look for demand this quarter to be higher than they expected a couple of months ago. They cite the fact that inquiry volume is up, inventory reduction is about over and new orders are up.

All this optimism means better business ahead, this trade weekly declared and better business provides larger employment and bigger payrolls.

Producers of refrigerators, freezers and washing machines are bolstering the market for sheet steel. Their increased requirements reflect better sales.

Producers of mechanical tubing report substantial improvement in their sales. Automotive buying is chiefly responsible. Instead of placing orders every two weeks, the automakers are buying on a month-to-month basis.

Consumer inventories of most steel products have been reduced to manageable size, but plates and structurals are still being liquidated. Structural fabricators are not buying until they get a job and can order from the bill of materials.

If the current rate of recovery is maintained, this month's production could be 8,800,000 tons, the highest since October, 1957.

Higher operating rates were reported by eight steelmaking districts. The 12 districts varied from a high of 88% of capacity at St. Louis to 55% at Youngstown.

"Steel's" composite on steelmaking scrap declined 67 cents to \$42.33 a gross ton, largely reflecting weakness in the Chicago district. The increased use of hot metal in steel melts is also an unsettling influence.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *123.7% of steel capacity for the week beginning Oct. 13, 1958, equivalent to 1,987,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *120.3% of capacity, and 1,933,000 tons a week ago.

Output for the week beginning Oct. 13, 1958 is equal to about 73.6% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 71.6% the week before.

For the like week a month ago the rate was *110.2% and production 1,771,000 tons. A year ago, the actual weekly production was placed at 2,070,000 tons, or 128.9%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Continued Lower Trend the Past Week

The amount of electric energy distribution by the electric light and power industry for the week ended Saturday, Oct. 11, 1958 was estimated at 12,067,000,000 kwh., according to the Edison Electric Institute. Output continued to show declines last week.

For the week ended Oct. 11, 1958 output decreased by 44,000,000 kwh. under that of the previous week but recorded an in-

crease of 358,000,000 kwh. above that of the comparable 1957 week and 767,000,000 kwh. above that of the week ended Oct. 13, 1956.

Car Loadings Continue to Point Upward in Week Ended October 4

Loadings of revenue freight in the week ended Oct. 4, 1958 were 4,092 cars, or 0.6% above the preceding week.

Loadings for the week ended Oct. 4, 1958 totaled 677,016 cars, a decrease of 70,631 cars, or 9.4% below the corresponding 1957 week, and a decrease of 138,177 cars, or 17% below the corresponding week in 1956.

Automotive Output Last Week Hampered by Strikes at General Motors and Chrysler Plants Declined Below Previous Weeks' Level

Passenger car production for the week ended Oct. 10, 1958, according to "Ward's Automotive Reports," was completely knocked out by strikes at General Motors plants and partially impaired at Chrysler Corp.

Last week's car output totaled 33,798 units and compared with 34,464 (revised) in the previous week. The past week's production total of cars and trucks amounted to 44,846 units, or a decrease of 3,931 units below that of the previous week's output, states "Ward's."

Last week's car output fell below that of the previous week by 666 units, while truck output declined by 3,265 vehicles during the week. In the corresponding week last year 38,626 cars and 18,860 trucks were assembled.

Last week the agency reported there were 11,048 trucks made in the United States. This compared with 14,313 in the previous week and 18,860 a year ago.

Lumber Shipments Rose 2.5% Above Output in the Week Ended Oct. 4, 1958

Lumber shipments of 469 reporting mills in the week ended Oct. 4, 1958 were 2.5% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 14.9% below production. Unfilled orders amounted to 40% of stocks. Production was 2.1% below; shipments 6.6% below and new orders were 17.6% below the previous week and 3.6% below the like week in 1957.

Business Failures Turned Downward the Past Week

Commercial and industrial failures declined to 271 in the week ended Oct. 9 from 301 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties remained higher than the 244 in the comparable week of last year and the 259 in 1956. Failures also exceeded by 14% the prewar level of 237 in the similar week of 1939.

Failures involving liabilities of $5,000 or more dipped to 230 from 245 in the previous week and 202 in 1957. Small casualties with liabilities under $5,000 declined to 41 from 56 a week ago and 42 last year. Liabilities ranged above $100,000 for 27 of the week's failures as against 20 in the preceding week.

While retail casualties continued upward, rising to 151 from 141, other industry and trade groups had lower totals than last week. Manufactures failing dipped to 45 from 58, wholesalers to 26 from 30, construction contractors to 30 from 46 and commercial services to 19 from 26. Trade and service mortality exceeded last year's level, but fewer manufacturers and construction contractors succumbed than a year ago.

Five of the nine major geographic regions reported lower tolls during the week. Casualties in the Middle Atlantic States declined mildly to 79 from 87, in the South Atlantic to 25 from 32 and in the Pacific States to 65 from 76. Contrasting week-to-week increases prevailed in three regions, including the East North Central, up to 48 from 42, while there was no change in the Mountain States. More businesses failed than a year ago in all regions except the South Central and Mountain States. The most noticeable rise from 1957 occurred in the South Atlantic Region.

Wholesale Food Price Index Registered New 1958 Low for Second Straight Week

For the second week in a row the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to a new 1958 low. On Oct. 7 it fell 0.3% to $6.28 from $6.30, the previous low. The past week it was at the lowest level since Nov. 19, 1957, but it exceeded the $6.12 of a year ago by 2.6%.

Moving higher in wholesale cost last week were flour, wheat, corn, rye, oats, barley, hams, lard, sugar, cottonseed oil, hogs and lambs. Lower in price were bellies, butter, cocoa, eggs and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level

Wholesale Commodity Price Index Continued to Show Moderate Gains in the Latest Week

There was another moderate rise in the general commodity price level last week, reflecting higher prices on steel scrap, lard, sugar and flour. The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., stood at 278.64 on Oct. 6, compared with 277.91 a week earlier and 281.59 on the comparable date last year.

Most grain prices moved within a narrow range during the week and finished fractionally below those of the prior week. Increased harvesting and higher receipts resulted in a slight dip in soybean prices leaving trading unchanged. Wheat prices fell moderately as export demand lagged and wholesalers reported larger supplies.

Oats prices moved up somewhat as well as volume which was slightly above that of a week earlier. Trading in corn held steady, but prices finished slightly lower. Although supplies declined, the buying of rye slackened and prices slipped slightly from the prior week.

Increased trading helped boost flour prices a little the past week. Some mills had difficulty in meeting shipping schedules. There was an appreciable gain in volume in rice with prices equalling those of the prior week. Spot sugar prices in the domestic market moved up somewhat as purchases expanded.

A noticeable gain occurred in cocoa prices during the week as transactions rose substantially. Wholesalers reported a moderate dip in cocoa prices and trading at the end of the week was dull.

Although hog prices in Chicago moved up at the beginning of the week, they declined at the end of the period and finished slightly below those of a week earlier. A moderate rise in hog receipts occurred during the week. The buying of steers was steady and prices were close to those of the prior week. Cattle receipts were down fractionally from the prior week with noticeable year-to-year declines prevailing. While trading in lambs was unchanged from a week earlier, prices moved up somewhat. This was due to a slight reduction in salable supplies. Higher trading resulted in an appreciable rise in lard prices during the week.

Following a report that suggested that the Government's forthcoming crop forecast would be down sharply from the Sept. 1 estimate, cotton trading rose noticeably and was followed by moderately higher prices. Exports of cotton for the week ended last Tuesday were estimated at 29,000 bales by the New York Cotton Exchange Service Bureau. This compared with 77,000 bales a week earlier and 116,000 bales in the comparable 1957 period. The totals for the season through Tuesday was about 546,000 bales as against 715,000 bales in the comparable period last year.

Trade Volume Showed Moderate Improvement in Latest Week Over Like Period a Year Ago

Encouraged by extensive sales promotions and cool weather consumers stepped up their buying of fall apparel, housewares and food products last week, boosting overall retail trade moderately over that of a year ago. Scattered reports indicate that volume in new passenger cars improved during the week following the introduction of some 1959 models, but noticeable year-to-year declines continued to prevail.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic States +3 to +7%; East South Central +2 to +6; South Atlantic +1 to +5; East North Central and West North Central 0 to +4; New England, West South Central and Mountain —1 to +3 and Pacific Coast States —4 to 0%.

Women shoppers were primarily interested coats, sportswear and dresses. Noticeable year-to year gains were registered. There were moderate increases from a year ago in the call for some fashion accessories and women's suits. Volume in men's apparel was slightly higher than in the similar 1957 week, with principal gains in topcoats and winter suits. Retailers reported moderate increases in sales of boys' shirts and sportswear and girls' dresses and skirts.

Despite some appreciable gains in sales of television sets and radios, total volume in major appliances was down moderately from last year. Furniture sales dipped from a year ago, although some week-to-week increases occurred in bedroom sets and some upholstered lines. There was another rise in purchases of housewares during the week, particularly kitchen utensils and glassware. While volume in floor coverings, slipcovers and draperies matched similar year ago levels, interest in linens lessened somewhat.

Housewives increased their buying of fresh meat, fresh produce, canned goods and frozen foods a week ago, offsetting declines in baked goods and some dairy products. Interest in flour, sugar and rice matched that of a week earlier.

Wholesalers reported a noticeable rise in orders for women's better-priced coats last week. Stocks were reported limited and deliveries lagged behind schedule. There was a moderate increase in the buying of dresses, suits and some fashion accessories. Interest in men's furnishings expanded substantially, especially in neckwear, dress shirts and socks. The call for men's suits and topcoats matched that of a week earlier and moderate increases occurred in volume in children's merchandise.

Buyers stepped up their orders for occasional tables and chairs and upholstered furniture in the week, boosting total furniture volume slightly ahead of a week earlier. Interest in case goods and dinette sets was sluggish. While the call for draperies moved up, trading in linens and floor coverings was dull. Except for some appreciable gains in sales of lighting fixtures, television sets and hi-fi sets, appliance volume lagged behind the prior week. Wholesalers reported moderate increases in housewares and hardware during the week.

There was another rise in transactions in industrial fabrics, man-made fibers and synthetics last week. Volume held close to that of a year ago. Boosted by higher trading in print cloths and sateens, the call for cotton gray goods exceeded that of the prior week. Textile wholesalers in Philadelphia and Boston reported a decline in interest in woolen, worsted and carpet wool. Incoming orders at dyeing and finishing plants in some New England centers improved.

The total dollar volume of food buying at wholesale equalled that of the prior week. Increased trading in canned goods, fresh produce and fresh meat offset declines in some dairy products, baked goods and flour.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 4, 1958 advanced 7% above the like period last year. In the preceding week, Sept. 27, 1958 a decrease of 2% was reported. For the four weeks ended Oct. 4, 1958, a gain of 2% was registered. For the period Jan. 1, 1958 to Oct. 4, 1958 a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City the past week was unchanged to 2% higher than the like period a year ago.

Warm weather during the week tended to discourage shopping and resulted in a poorer showing, when compared with the substantial volume of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Oct. 4, 1958 showed an increase of 15% from that of the like period last year. In the preceding week, Sept. 27, 1958 a decrease of 1% was reported. For the four weeks ended Oct. 4, 1958, an increase of 6% was noted. For the period Jan. 1, 1958 to Oct. 4, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Balt. Paint & Chemical Securities Offered by P. W. Brooks Group

Public offering of units of $2,000,000 sinking fund debentures, 6½% series due Oct. 1, 1973 and 140,000 shares of common stock of Baltimore Paint & Chemical Corp. is being made today (Oct. 16) by P. W. Brooks & Co., Inc. and associates. Each unit, consisting of $500 principal amount of debentures at par and 35 shares of common stock at $3 per share, is priced at $605, plus accrued interest from Oct. 1, 1958.

Net proceeds from the concurrent sale of the $2,000,000 principal amount of sinking fund debentures, 6½% series, due 1973 and 140,000 shares of common stock offered in units, and 25,000 extra shares being sold to certain individuals, will be used by the company for the repayment of a loan and for working capital.

The debentures will be redeemable for the sinking fund beginning on or before Aug. 1, 1967 at redemption prices ranging from 102½% to par, plus accrued interest. The debentures will also be redeemable at optional redemption prices receding from 105% to par, plus accrued interest.

Baltimore Paint & Chemical Corp. is a leading manufacturer of a wide line of quality house paints, enamels, lacquers, varnishes and industrial finishes sold through more than 1,600 paint distributors under established trade names. The company believes that it is the largest producer of traffic paint for marking lanes and dividing lines on streets and highways. It also makes alkyd resins, polyvinyl acetate and other chemicals and resins for use in its own manufacturing operations as well as for sale to other paint and printing ink manufacturers.

H. L. Emerson Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Guy R. McLaughlin has become associated with H. L. Emerson & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange. He was formerly with Saunders, Stiver & Co.

Otto Forst Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Otto Forst is conducting a securities business from offices at 7466 Beverly Boulevard.

Chicago Analysts to Hear

CHICAGO, Ill.—W. A. Hewitt, president of Deere & Company, will address the luncheon meeting of the Investment Analysts Society of Chicago to be held Thursday, October 16th in the Adams Room of the Midland Hotel.

C. G. Criswell, Jr. Opens

ST. PETERSBURG BEACH, Fla. —Grover C. Criswell, Jr. is conducting a securities business from offices at 2503 Pass-a-Grille Way.

Donovan Opens Office

WILMINGTON, Del. — John J. Donovan is engaging in a securities business from offices at 2303 Lancaster Avenue.

Opens New Branch

WORLAND, Wyo. — Andersen, Randolph & Co., Inc. has opened a branch office at 504 Big Horn, under the direction of Howard C. Meyer.

First Trust Branch

NORFOLK, Neb.—The First Trust Company of Lincoln has opened a branch office at 126 South Fourth Street under the management of John Wilson.

Continued from page 5

Some Recent SEC Activities

it is still issued occasionally in the western states usually by companies exploring for or exploiting natural reources. The purchaser of assessable stock not only pays an initial purchase price but also becomes obligated at the risk of losing some portion of his interest, to pay additional assessments if and when they are levied by the company. Properly employed, there is no doubt but that this feature serves a useful purpose. It permits a venture to be started on a relatively modest basis and gives some assurance that the enterprise will be able to obtain further capital when additional funds are needed in order to exploit favorable developments.

It appears, however, that some companies having outstanding assessable shares issued prior to the adoption of our Regulation A-M have levied assessments against their stockholders without disclosing the status of the company or the purpose for which the proceeds are to be used. In some instances, stockholders have been able to obtain very little information from the company and have sometimes even been met with a flat refusal by the company officials to furnish any information whatsoever. There have been indications that the funds raised by the assessments will not in some cases be productive of any present or potential benefit to the stockholders, and that some of these companies are operated chiefly for the personal benefit of insiders. There has been evidence in some other cases that companies with assessable stock outstanding are being used as vehicles to raise funds for the benefit of affiliated enterprises which are themselves unable or unwilling to make the disclosures required were they to seek funds directly from the public.

As a result, the Commission has recently invited comments on certain proposed changes in its Rules which would specify that the levying of assessments by these companies are within the purview of the Securities Act of 1933 by construing the definition of the terms "offer" and "sale" of a security to include the levy of an assessment. It seems clear that when a stockholder is asked to risk additional funds in an enterprise, he is being asked to make a new investment decision in connection with which he is entitled to appropriate disclosure by the issuer in order that the stockholder may have a basis for an informed decision.

It has been pointed out in some of the comments we have received, and the Commission is prepared to recognize, that these levies are frequently conducted on a small scale with the result that it may reasonably be considered to be unnecessary to insist upon the full registration process and that a somewhat lesser amount of information may be adequate in order to give appropriate protection to the stockholders. For this reason, the adoption of the proposed rule has been postponed, and the staff is considering the feasibility of a conditional exemption from registration allowing the raising on such a basis of limited amounts by means of assessments. It is believed that such an exemption, if properly drafted, would provide reasonable protection for stockholders in these cases with a minimum effort and expense for the companies concerned.

Turning now from the field of rule making, I should like to discuss the somewhat related field of proposed changes in the legislation under which the SEC operates. In the Summer of 1957, we submitted to the Congress proposals to amend an aggregate of 87 subsections of the six statutes which we administer. The over-all purpose of these proposed amendments was to strengthen the safeguards and protections afforded the public in their securities transactions by tightening the jurisdictional provisions of the statutes, by correcting certain inadequacies which continued experience has disclosed, and by facilitating criminal prosecutions and other enforcement activities. Considerable publicity has been given from time to time to these measures, but I think it might be helpful if I went over them again so that State Securities Administrators may have them fully in mind if any question is raised about them.

Amend 1933 SEC Act

The proposals to amend the Securities Act of 1933 would (1) provide a more workable procedure in administrative proceedings relating to pre-effective registration statements by providing for more time within which proceedings may be instituted and conducted, and authorizing the Commission to issue an order postponing the effective date of the registration statement pending the completion of the proceedings; (2) clarify the jurisdiction basis of the civil liability provisions of the statute; (3) permit a registrant to withdraw its registration statement except where the statement is subject to or about to become subject to a stop-order or similar proceeding or a Commission order in such a proceeding; (4) make it clear that a showing of past violations is a sufficient basis for injunctive relief and that aiders and abettors may be responsible in civil and administrative proceedings; (5) extend civil and criminal liability to documents filed with the Commission under the exemptive Regulation A as authorized by Section 3(b); an (6) increase from $300,000 to $500,000 the size of offerings which may be so exempted from registration under Section 3(b).

The proposed increase in the Section 3(b) ceiling to $500,000 was also the subject of two Senate bills filed separately from the Commission's recommendations. This proposal was favorably reported by the Senate Committee on Banking and Currency and passed by the Senate, but was not reported out by the House Committee on Interstate and Foreign Commerce in the current session of Congress. In addition, another bill was separately introduced to repeal Section 3(a)(11) of the Securities Act, which provides an exemption for intrastate offerings from the registration requirements of the statute. No action was taken on this proposal.

Amend 1934 SEC Act

The Commission has proposed also to amend the Securities Exchange Act of 1934, so as to make proof of past violations adequate basis for injunctive relief and also to impose responsibility upon aiders and abettors in civil and administrative proceedings. In addition, amendments were proposed to that statute which would, among other things:

(1) Make it a violation of this Act to embezzle money or securities entrusted to the care of an exchange member or a registered broker or dealer;

(2) Make the status of a person as an exchange member, a broker or dealer doing business through a member or a registered broker or dealer adequate basis for Federal jurisdiction;

(3) Clarify and strengthen the statutory provisions relating to manipulation and to the financial responsibility of brokers and dealers;

(4) Authorize the Commission by rule to regulate the borrowing, holding or lending of customers' securities by a broker or dealer;

(5) Make it clear that attempts to purchase or sell securities are covered by the anti-fraud provisions of the statute;

(6) Revise the provisions relating to broker-dealer registrations with respect to (a) the basis on which action for denial or revocation may be taken, (b) the sanctions which may be imposed by the SEC, (c) the conditions under which an application for registration may be withdrawn, and (d) the postponement of the effectiveness of an application for registration; (7) Authorize the Commission to suspend or withdraw the registration of a securities exchange when the exchange has ceased to meet the requirements of its original registration; and

(8) Provide that an insolvent broker or dealer may be adjudicated a bankrupt in an injunctive proceeding instituted by the Commission.

The changes proposed in the Trust Indenture Act of 1939 would conform certain provisions of that statute to certain of the recommendations made in connection with the Securities Act of 1933.

Investment Company Act of 1940

The amendments proposed by the Commission to the Investment Company Act of 1940 would:

(1) Require an investment company to state as matters of fundamental policy, which generally could not be changed without the consent of its stockholders, the extent to which it intends to invest in particular types of securities and such other basic investment objectives which it represents it will emphasize;

(2) Strengthen the provisions requiring that there be a minimum number of independent or nonmanagement directors;

(3) Limit the extent to which a face-amount investment company can include preferred and common stock in its "qualified investments";

(4) Make clear the application of the statute to an "advisory board"; and

(5) Clarify the stated exceptions available to companies engaged in banking, insurance, small loan, factoring, discount or real estate businesses.

Investment Advisers Act of 1940

The amendments which we have proposed to the Investment Advisers Act of 1940 would:

(1) Expand the basis for disqualification of a registrant because of prior misconduct;

(2) Authorize the Commission by rule to require the keeping of books and records and the filing of reports;

(3) Permit periodic examinations of a registrant's books and records;

(4) Empower the Commission by rule to define and prescribe means reasonably designed to prevent fraudulent practices;

(5) Extend criminal liability for a willful violation of a rule or order of the Commission; and

(6) Revise the provisions relating to the postponement of effectiveness and the withdrawal of applications for registration.

In addition, the Commission has proposed a number of amendments to Chapters X and XI of the Bankruptcy Act which are designed to eliminate certain difficulties that have arisen under that Act. Among the more important and provocative of these suggestions is the proposed amendment to Chapter X[1] which would allow the Commission to appeal from the District Court, provided leave to appeal is granted by the appropriate Court of Appeals.

Inasmuch as Congress adjourned in August without acting upon the bills embodying the amendments proposed by the Commission, it is our intention to re-examine these suggestions in light of the comments which have been made since their introduction and it is reasonable to predict that the proposals will be re-introduced in substantially the same form in the 1st Session of the 86th Congress which is scheduled to convene on Jan. 7, 1959.

1 Section 208 of Chapter X (11 U. S. C. 608.)

Enforcement Progress

The last topic which I would like very briefly to discuss, that of progress in enforcement, is to some extent unrelated to the foregoing. I am certain, however, that it is always of continuing and vital interest and importance both to the Commission which I represent and to each and every North American Securities Administrator.

I have sometimes been asked why the Securities and Exchange Commission should place so much emphasis on this phase of our work and whether our increased enforcement activity indicates either so prior deficiency in this field or an increased disregard for the law. We are now approaching our 25th anniversary as a regulatory body. The securities industry as a whole is now firmly geared to the statutes we administer. As far as I have been able to see, the Securities and Exchange Commission has never from its inception faltered in its insistence that the mandates of the statutes be explicitly observed. With habit and increased understanding, however, and in the rising market of many years' standing, and with the vastly wider base of investor interest and the enormous potential gain to be derived, there has been attracted to the securities industry a fringe element of confidence men, without conscience or scruple, who are determined to take whatever advantage they can of the American public, regardless of the controls which Congress has adopted for the express purpose of preventing such frauds. We are determined to thwart the ambitions of these gentry, which have become a serious threat to the investing public relatively recently. With cooperation, we shall succeed. Most certainly, we do not intend to hesitate in any respect in this effort until it has been made clearly apparent to all illegitimate operators that their talents can be exercised with far more safety in fields other than the securities market.

In this vital field, I think the record of the past year is one of continuing progress in the refinement and improvement of techniques for dealing with these problems, and with the various schemes which these ingenious crooks have devised to hide their activities.

Boiler Rooms and Syndicates

The "boiler room" is still with us to some extent, although in somewhat different form. Most of the big ones have disappeared under the simultaneous urging of the Federal and State agencies. In their place, however, we find small outfits which spring up suddenly, sell one or two spurious issues quickly and then disperse, their fraudulent purpose accomplished. In our last annual report we referred to this phenomenon as a "cancerous diffusion." This tendency has made speed and alertness essential to enforcement activities. Under a cooperative procedure which has recently been utilized and which gives some promise of effectiveness, our investigators enter such a place of business as soon as it comes to our attention, take off a list of customers who live in a particular state, and furnish this list to the State Administrator of that state. That official proceeds to interview certain of these customers, obtains affidavits describing the representations made to them, undertakes local prosecution if this is feasible, and also furnishes us with such affidavits as may form a basis for a fraud proceeding.

The diffusion which I mention is not limited by state lines, and we have noticed a tendency of the small boiler room to establish itself somewhere away from Wall Street where the climate may be a little less rigorous. Those State Administrators whose laws permit them to consider the character and reputation of applicants for broker-dealer registration and to exclude the obviously unqualified or unsuitable may be in a position to perform a national service by careful scrutiny of the migratory applicant. We stand ready to assist to the limit of our power and knowledge.

Another area in which there is an opportunity for effective cooperative enforcement relates to the activities of certain syndicates who move from state to state, setting up an "intra-state" promotion in each new jurisdiction usually consisting of a securities corporation, a holding company and several satellite corporations in such fields as insurance, small loans, etc. Local participants are usually placed in actual or nominal charge, and the securities offering is stated to be limited to residents of the state. The appeal which these operators make to local residents based on the prospect of building local businesses and industries is very effective, and substantial issues have been floated whose value has subsequently declined materially, resulting in serious losses to investors. Our jurisdiction in most such cases is limited, and the promoters are generally careful to avoid any transactions upon which we could base any action. However, our experience and that of administrators in other states where these syndicates have operated may be useful to you, and we can and will act where we can find any jurisdiction under the anti-fraud provisions of the statutes we adminster.

International enforcement is also an appropriate topic for consideration. We continue to receive the most heartening cooperation from the securities administrators of the various Canadian provinces, and we still encounter efforts to evade the impact of that cooperation. One manifestation of this is recourse to alleged open market purchases in Canada of securities intended for high pressure sale in the United States, in order to conceal the source of securities intended for distribution in violation of our securities laws. We may, I think, be properly skeptical of the ability of a broker in New York to round up 30% or 40% of the outstanding shares of a corporation by "open market" purchases without creating a ripple in the market or raising the price. It would seem that somebody on the supplying end planned it that way, and that somebody had effective control of the situation.

In addition, some operators who have become *personna non grata* in Canada have turned up in Cuba and elsewhere. Cuba, unfortunately, lacks a regulatory agency in the securities field, although we have found the Havana Stock Exchange anxious to cooperate, and we have had some success in securing postal fraud orders. For the rest we must rely to a considerable degree upon warnings and publicity. I may remark, parenthetically, that we have not had any indication that these operators have turned up in Mexico, where they might very logically have gone. This, I think, is a tribute to the very able Securities Commission of Mexico.

Schuyler Coffin Opens

(Special to The Financial Chronicle)

LONG BEACH, Cal.—Schuyler Coffin is engaging in a securities business from offices at 132 Pine Avenue. Mr. Coffin was formerly a partner in Tucker & Company, which has been dissolved.

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Our Federal Highway Program: Where Is the Money Coming From?

the help of all our clubs in our campaign to secure repeal of the reimbursement section of the 1956 Highway Act.

Let us never forget that every dollar of motor vehicle tax revenue diverted to reimburse utilities is that much money diverted from the building and maintenance of highways built to high standards for maximum safety.

In the face of records showing that highways built to these standards have only one-third the fatalities as highways below these standards, how can anyone deny the rightness of our cause in protecting both the Federal Highway Trust Fund and the State Highway Funds? Hundreds of thousands of traffic accidents are due directly to obsolete, inadequate and hazardous highway systems, and in our efforts to have all motor user taxes used to eliminate these hazards we should have wholehearted support.

In most instances, our clubs and our national association have been put on the defensive in dealing with this issue. Let us at this meeting dedicate ourselves to the strongest possible position in carrying out these policies to which we are committed. Let the watchword be: Motor vehicle tax revenue dedicated to highway construction and operation, and not one cent of tribute to any other purpose!

Financing Highway Patrols

In our role of protecting the highway fund, we should insist that only when highway patrols are used exclusively for highway and traffic purposes should they be financed from highway user tax revenues.

Opposition to Reimbursement for Mass Transit

Another role we must play is in protecting highway funds from the longing eyes of the mass transportation industry. We all know that transit has been in trouble for a long time. For a while, industry leaders did some wishful thinking about barring downtown streets to private passenger cars so that everyone would be forced, willy-nilly, to ride their buses and trolleys. When this tactic proved unsuccessful, they turned to the hope of being bailed out by dipping into highway funds. Mass transportation, so runs their argument, if adequately subsidized, would relieve the traffic burden on urban highways—hence, subsidizing transit is a "highway purpose" and would not constitute diversion as defined in the anti-diversion amendments.

This, from the standpoint of AAA policy, is outright diversion and must be vigorously opposed. Let's re-examine our anti-diversion amendments and strengthen them if necessary to prevent such raids. Let's get strong anti-diversion amendments adopted in all the states now without them.

Opposition to Reimbursement for Toll Roads

Another role which we are required to play is in opposition to reimbursement "to any state for public roads or toll roads as part of the Federal legislation for financing the National System of Interstate and Defense Highways." Ever since certain toll roads were brought into the Interstate System there has been increasing agitation to have the Federal Government reimburse either the states or the toll authorities for the cost of the toll roads. If toll roads are to be reimbursed, then it would be necessary also to reimburse those states which built toll-free roads up to Interstate standards and which have been brought into the System. These facilities were built by the states to meet essential traffic requirements; toll roads were built because they were regarded as a sound private investment; and those toll facilities now embraced in the Interstate System continue to collect tolls. Indeed, it may be said that being included in the Interstate System affords a strong protection for the investment. Again the question is raised: Where is the money coming from for such reimbursement? The fact that under the present method of financing the Interstate System, it cannot be completed within the next 20 years—even without any reimbursement to states for free or toll roads.

Regulation of Billboards

Still another role is in following through on recently-passed Federal legislation making bonus payments to states which enact laws to protect the Interstate System from the encroachment of billboards. Your national association played a leading role in securing this Federal legislation; now it is up to our clubs to seek enactment of laws qualifying their respective states for the bonus. This is the first time that the states have a financial incentive to combat the billboard lobby which traditionally has opposed all forms of regulation of billboards.

Highway Problems and AAA Clubs

These are some of the most pressing problems that face us in the highway field. And never let it be forgotten that what is done on the Federal level as regards highways will depend to a large extent upon what our representatives in Congress hear from the folks back home. And, of equal importance is the fact that decisions taken at the Federal level on highway matters will inevitably have an effect on state and local highway developments.

This national highway program of ours might be likened to a juggernaut which is just starting to move. Its essentiality cannot be doubted—but the impact of such a vast undertaking is bound to have repercussions not even dreamed of when the historic 1956 Highway Act was being written. I venture to say that the next three or four years will bring clubs face to face with more problems — and more highly complex problems—than they've ever had to cope with since the start of the good roads movement.

In order to carry out our responsibilities in this vital field of highway improvement and modernization, it seems to me essential that each club in the AAA family set up machinery to help meet the many challenges ahead. To this end, I urge that every club appoint a committee of its Board of Directors to deal specifically with the many problems confronting us in the highway area. Those clubs with sufficient resources should study the possibility of making a definite staff assignment—either full or part time—so there will be someone giving concentrated attention to highway matters. This is exactly what we have done at National Headquarters through the creation of the new Highway and Legislative Department.

Justice for the Motorist

Another role relates to justice on the highway in the enforcement of our traffic laws. Are we satisfied that our laws, rules and regulations pertaining to traffic control meet modern traffic conditions Are we satisfied that enforcement methods are calculated to bring about voluntary compliance with the law, which is the basis of all law and order? Hasn't the time come when we should insist that enforcement of the traffic laws be taken out of the hands of fee-paid constables and justices of the peace—interested more in lining their own pockets than in bringing about safer and more expeditious movement of traffic? Is not the hour here when we should demand the establishment of judicial machinery which will assure to every motorist the right to fair, prompt and impartial trial in every section of the country? It is sad but true that motorists traveling away from home and subjected to so-called justice in many small communities are denied this fundamental American right. And frequently after being denied this right in a foreign jurisdiction he is subjected to penalties in his own state under the so-called reciprocal arrangements between motor vehicle departments. I submit that traffic law reforms are long overdue.

An outstanding instance of an area where reform is needed is in the matter of speed limitation and "speed zones." All too many speed laws are based on expediency, political horse-trading or on emotionalism rather than a scientific determination as to reasonable and proper limits. With the point system, or similar driver incentive methods — which we support —being adopted by an increasing number of states, the driver is put in double jeopardy by unrealistic and sometimes illegal speed limits. Not only is he subjected to a more or less automatic fine in some far-off community, but he gets a black mark or two, leading to suspension or revocation of his driving license in his own home state. This is a situation bordering on the intolerable.

AAA's Role in Traffic Safety

We occupy a unique role in the field of traffic safety. The time has come for us to rededicate ourselves to the sound principles which we have followed over many years, and which have placed our organization in a leadership role in three basic areas—safety education in the elementary grades (of which the school safety patrol, 670,000 strong is an integral part), high school driver training (which is recognized by safety officials everywhere as one of the most important contributions to basic safety training), and our Planned Pedestrian Program (which is recognized as the most important factor contributing to a 50% reduction in pedestrian fatalities in the last two decades). Not boastfully, but proudly do we claim outstanding results in these three areas where we have concentrated our attention, planning money and manpower. We solemnly and gratefully claim that the results are measured in thousands of lives saved. Furthermore, we have demonstrated what can be accomplished by competent, well-trained and dedicated men and women in our own ranks, working with educators and officials in building safety into our entire traffic and social structure.

We have a new role in this area of safe and expeditious movement of traffic and that is the field of electronic and other advanced scientific techniques which hold promise of a better driving future. Through special appropriations by our Foundation for Traffic Safety to Columbia University, we are encouraging research in this direction. All affiliated clubs should join in supporting these technological advances which have such great potentials for adding to the safety, efficiency and enjoyment of tomorrow's traffic patterns.

* * *

At no time have I ever expressed deeper convictions regarding issues which challenge our leadership.

What we are doing is setting a pattern for action which relates directly to the defense of our country and the protection of our people—and the people of Canada.

A pattern for fiscal integrity in the building and operation of a highway system to meet our present needs — not 20 or 25 years hence.

A pattern for development of motor transportation to contribute even greater benefits to the economic and social progress of our communities and the nation as a whole.

Let not the charge be laid at our door—too little and too late.

Too little planning.

Too little in the way of results.

And too late in doing the things we know must be done if we are to fulfill our high destiny. There is work to be done.

Railroad Securities

Chicago, Rock Island & Pacific

Earnings of Chicago, Rock Island & Pacific in recent months have been aided by the record 1958 grain crop. In addition, this large harvest has brought about increased farm income in the road's territory, thereby helping the flow of general traffic in the service area. Traffic through the middle of September was running only about 6% under the like 1957 period as compared with a drop of about 18% for the national average.

Gross revenues in the first eight months of this year were off only 2.7% from a year ago. Operating expenses during this period were cut by 2.2%. The main cut in expenses were in maintenance expenses, while transportation expenses were slightly higher. Rock Island is believed to be able to cutback on maintenance substantially in view of the vast sums spent on the property during bankruptcy and since its reorganization. Large sums were expended on the roadway not only to bring it up to high operating standards but also for the elimination of curvatures and grades.

Equipment rentals debits in the early months of this year have been high and have cut into income. However, with a large fleet of freight cars, this situation is expected to show improvement as its cars are moved to other lines carrying the large grain crop. This should bring income to the Rock Island on the per diem rental of its equipment.

More traffic should have a beneficial effect on earnings since the road will move a greater tonnage of traffic without increasing transportation expenses to the same extent. The management of the carrier has been aggressively seeking additional traffic to the line and this could be an important factor since it is regarded as a light density railroad. So far this has been reflected in traffic figures, but has not been converted to earnings as yet. However, with general business activity showing improvement, this should be reflected in better control over transportation expenses.

With a better traffic pattern in coming months, earnings should show marked improvement in coming months. It is possible that for the full year earnings could expand to around $3 a share or better as compared with $3.32 a share reported for the year 1957. If crops in 1959 again are at high levels, income of the Rock Island could expand considerably.

Finances of the road are more than adequate. Due to the flotation of a bond issue, cash and its equivalents have been strengthened. On July 31, 1958, cash and cash items amounted to $29,328,000 and current liabilities were $29,019,000. Net working capital on that date aggregated $32,810,000 against $17,672,000 a year earlier.

With the Rock Island in excellent physical shape, any further rebound in freight traffic should be quickly converted into earnings on the common stock. This would be particularly true if there was a good pickup in manufactures and miscellaneous traffic which would be in addition to the heavy movement of grains. Yielding better than 5% at current levels based on the $1.60 a share annual dividend, the stock appears to have growth possibilities.

With Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Antoinette Tiberi is now connected with Hayden, Stone & Co., 10 Post Office Square.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—James M. Loughnane has become affiliated with Reynolds & Co., 19 Congress Street.

Joins Townsend Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gordon H. Grant is now connected with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Roger J. White has joined the staff of Paine, Webber Jackson & Curtis, Union Commerce Building.

With Central States Invest.

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Robert F. A. Schumann is now connected with Central States Investment Company, Walpark Building.

Luke H. Rose

Luke H. Rose, partner in L. H. Rose, Harmon & Co., New York City, passed away October 4th.

Now Arco Secs.

CHEYENNE, Wyo. — The firm name of Runyan Investments, 1716 Capitol Avenue, has been changed to Arco Securities.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958; rights expire on Nov. 17. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Addressograph-Multigraph Corp.
Sept. 17 filed 141,113 shares of common stock (par $5) being offered for subscription by common stockholders of record Oct. 7, 1958 at rate of one new share for each 20 shares held; rights to expire on Oct. 22, 1958. **Price**—$62.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

• Amber Oil Co., Inc.
Sept. 5 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For development of an oil and gas property. **Office**—1305 Continental Life Bldg., Fort Worth, Texas. **Underwriter**—Leeford Co., Inc., Fort Worth, Texas. Temporarily suspended about Oct. 14 by SEC.

American Box Board Co.
Sept. 11 filed 49,732 shares of common stock (par $1) being offered in exchange for Wolverine Carton Co. common stock at the rate of two shares of American for each share of Wolverine. The offer is subject to acceptance by at least 95% (23,623 shares) of Wolverine common stock; however, American may declare offer effective whenever it has been accepted by not less than 80% (19,983 shares) of the outstanding Wolverine common stock. The offer will expire at 4 p.m. (EST) on Oct. 27.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American & Foreign Power Co., Inc. (10/22)
Oct. 1 filed a maximum of 185,000 shares of no par common stock (public offering of a minimum of 180,000 shares of stock). **Price**—To be supplied by amendment. **Proceeds**—To Electric Bond & Share Co. **Underwriters**—Lazard Freres & Co. and The First Boston Corp., both of New York.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** - 900 Woodward Bldg., Washington, D. C. **Underwriter** - None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $ **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp
Dec. 23, 1957 (letter of notification) 14,700 shares of class B common stock (par $1). **Price** — $12 per share. **Proceeds** — To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

• Angelica Uniform Co., St. Louis, Mo. (10/30)
Oct. 6 filed 150,000 shares of outstanding common stock. **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — To selling stockholders. **Underwriters**—Scherck, Richter Co., and Dempsey-Tegeler & Co., both of St. Louis, Mo.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30, 1957, filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 2 filed 902,808 shares of common stock, which are issuable as underwriting commissions on the sale of an issue of $981,700 5% debentures and 9,805,603 shares of common stock now being offered publicly under an earlier registration statement. Under an underwriting agreement between the company and Public Development Corp., the underwriter, the latter will be entitled to receive common stock equal in par value to 10% of the par value of all stock sold pursuant to this offering and subsequent to June 30, 1958. Common shares will also be issued in an amount equal to 5% of the debentures sold subsequent to that date.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None

Australia (Commonwealth of) (10/23)
Oct. 3 filed $25,000,000 of 20-year bonds due Nov. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—For various public works projects. **Underwriter**—Morgan Stanley & Co., New York.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $ of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None

• Bankers Management Corp. (11/15)
Feb. 10 filed 400,000 shares of common stock (par 25 cents. **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

• Bowling Corp. of America (10/28)
Sept. 11 filed 450,000 units, each consisting of one share of common stock (par 10 cents) and two common stock purchase warrants, one warrant to expire 18 months from the date thereof, exercisable at $3.25 per share, and one warrant to expire 30 months from the date thereof, exercisable at $3.50 per share. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Charles Plohn & Co., New York.

★ Bullion Monarch Uranium Co., Inc.
Oct. 6 (letter of notification) an undetermined number of shares of common stock (par 10 cents) not to exceed an aggregate value of $40,000. **Price**—At market price. **Proceeds**—For mining expenses. **Address** — P. O. Box 699, Idaho Falls, Idaho. **Underwriter**—None

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co. a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

• Canal-Randolph Corp., Chicago, Ill.
Sept. 22 filed 91,662 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held on Oct. 14, 1958; rights to expire on Oct. 28. **Price**—$7.50 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Ladenburg, Thalmann & Co., New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

• Case (J. I.) Co.
Sept. 26 filed $20,130,000 of 5½% debentures due 1983 (convertible into common stock until Oct. 15, 1968), being offered for subscription by common stockholders of record on Oct. 14, 1958, on the basis of $100 of debentures for each 14 common shares held; rights to expire on Oct. 30, 1958. **Price**—At 100% of principal amount. **Proceeds**—To reduce short-term indebtedness to banks. **Business**—Farm machinery, etc. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., both of New York.

• Central Oils Inc., Seattle, Wash.
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash. Stop order proceedings instituted on Oct. 8, 1958.

• Central Soya Co., Inc. (10/23)
Oct. 6 filed 200,000 additional shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters** — Goldman, Sachs & Co., and Blyth & Co., Inc., both of New York.

Charles Town Racing Association, Inc.
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None.

• Chemirad Corp., East Brunswick, N. J.
Sept. 25 filed 165,830 shares of common stock (par 10 cents) to be offered for subscription by holders of common stock of Cary Chemicals Inc. at the rate of one share for every four shares of Cary Chemicals common stock held; with a 21-day standby. **Price**—$2 per share. **Proceeds**—For expansion program. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York. **Offering**—Probably next week.

[illegible] Corp., New York (10/23)
Oct. 3 filed 440,000 outstanding shares of common stock, of which 400,000 shares are to be offered publicly and 40,000 shares to officers and employees. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholder. **Underwriter**—F. Eberstadt & Co., New York.

Cincinnati & Suburban Bell Telephone Co. (10/21)
Sept. 26 filed $25,000,000 of 35-year debentures due Oct. 1, 1993. **Proceeds** — For construction program and to repay advances from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 21 at Room 2315, 195 Broadway, New York, N. Y.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

• Clary Corp.
Aug. 27 (letter of notification) 75,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1958 on the basis of one new share for each 12 shares held; (with an oversubscription privilege); rights to expire on Nov. 7. **Price**—$4 per share. **Proceeds**—For working capital. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell Murphy & Co., Inc., Denver, Colo.

★ Colonial Aircraft Corp., Sanford, Me.
Oct. 8 filed 346,492 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To reduce loans, make certain capital improvements and for working capital. **Underwriter**—Mallory Securities, Inc., New York. **Offering**—Expected in three to five weeks.

★ Columbia Gas System, Inc. (11/6)
Oct. 10 filed $25,000,000 of debentures, series K, due 1983. **Proceeds**—For acquisition of Gulf Interstate Gas Co. and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received by company up to noon (EST) on Nov. 6.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite

Commonwealth Edison Co.
Oct. 8 filed 100,000 shares of common stock, to be issued in connection with a 2% stock dividend payable Nov. 1, 1958 to stockholders of record Sept. 22, 1958 at rate of one share for each 50 shares held. **Price** — At market. **Proceeds** — To stockholders wishing to receive cash instead of stock. **Underwriters** — The First Boston Corp. and Glore, Forgan & Co., both of New York.

Consumers Power Co.
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

Continental Connector Corp., Woodside, L. I., N. Y.
Sept. 25 filed 125,000 shares of class A stock (par $1). **Price**—$8 per share. **Proceeds**—To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St Louis. Robert H. Green is President.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

● **Dow Chemical Co., Midland, Mich.**
Sept. 11 filed 175,000 shares of common stock (par $5) being offered to employees of the company, its subsidiaries, and certain associated companies at $55.75 per share; subscriptions will be accepted from Oct. 13 through Oct. 31. By a separate registration statement the company plans to offer 12,500 additional shares of the said stock to employees of Dow Corning Corp., a 50% owned subsidiary of the corporation.

● **Duffy-Mott Co., Inc., New York (10/23)**
Oct. 3 filed 228,950 shares of common stock (par $100) of which 108,950 shares will be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To provide added working capital to carry increased inventories and receivables. **Business** — A processor of "Mott's" apple products, "Sunsweet" prune juice, and "Clapp's" baby foods. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected late in October or early in November.

● **Eastern Stainless Steel Corp. (10/29)**
Oct. 6 filed $5,123,600 of convertible subordinated debentures due Nov. 15, 1973, to be offered initially to stockholders on the basis of $100 principal amount of debentures for each 14 shares of common stock held about Oct. 28, 1958; rights to expire about Nov. 12. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, will be used to retire approximately $4,000,000 of 4½% notes, to increase plant facilities, and to finance additional inventories. **Underwriter**—Hornblower & Weeks, New York.

Electronic Specialty Co., Los Angeles, Calif.
Aug. 8 (letter of notification) not in excess of $50,000 aggregate value of common stock (par 50 cents) to be sold in State of California only. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Bateman, Eichler & Co., Los Angeles, Calif.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price—At par ($5 per share). Proceeds—To cover operating expense during the development period of the corporation. Underwriter—None.**

Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). **Proceeds**—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. **Underwriter**—Cador, Inc., Far Hills, N. J.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

★ **Federal Pacific Electric Co.**
Oct. 10 filed 70,000 shares of common stock (par $1). These shares are a portion of the 111,910 shares previously issued or set aside for issue in connection with recent acquisitions. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

Florida Power & Light Co. (10/28)
Oct. 6 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds** — To provide additional electric facilities and for other corporate purposes. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., both of New York.

● **Florida Water & Utilities Co.**
Sept. 4 filed 55,000 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — Together with other funds, to be used to reduce the company's indebtedness, for working capital, and for property additions and improvements. **Underwriter** — Beil & Hough, Inc., St. Petersburg, Fla. **Offering**—Expected this week.

● **Forest Laboratories, Inc.**
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price—$2.50 per share. Proceeds—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes.** **Office**—Brooklyn, N. Y. **Underwriter**—Greenfield & Co., Inc., New York.

Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. **Office**—3938 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—Oscar G. Werner & Co., Pasadena, Calif.

General Aero & Electronics Corp. (10/28)
Sept. 29 filed 500,000 shares of common stock (par 10 cents), of which 100,000 shares are to be sold for the account of selling stockholders. **Price**—$2.25 per share. **Proceeds**—For acquisition of stock of National Missile & Electronics Corp., additional working capital and other corporate purposes. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25. D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. Price—$3.50 per share. Proceeds—For expansion, equipment and working capital. Underwriter—None.

★ **General Electric Co.**
Oct. 10 filed 1,150,000 shares of common stock (par $5) to be used in connection with company's Savings and Security Program which will become effective on Jan. 1, 1959.

★ **General Fabrication Industries, Inc.**
Oct. 6 (letter of notification) $30,000 principal amount of six-year, non-interest bearing, subordinated debenture and 150 shares of common stock (no par) to be offered in units of one share of common stock and one $200 debenture. **Price** — $400 per unit. **Proceeds** — For plant modification and working capital. **Office**—1246 Central Ave., Hillside, N. J. **Underwriter**—None.

● **General Public Utilities Corp. (10/31)**
Oct. 1 filed a maximum 530,000 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each 20 shares held on Oct. 31, 1958; rights to expire on Nov. 21, 1958. **Price** — To be supplied by amendment. **Proceeds**—To pay short-term bank loans and for additional investments in domestic subsidiaries. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Glidden Co. (10/29)
Oct. 7 filed $30,000,000 sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, etc. **Underwriter** — Blyth & Co., Inc., New York.

Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. **Price**—To be supplied by amendment. **Proceeds—For**

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NEW ISSUE CALENDAR

October 20 (Monday)
Union Finance Corp.________Debentures
(Beil & Hough, Inc.) $500,000

October 21 (Tuesday)
Cincinnati & Suburban Bell Telephone Co.__**Debs.**
(Bids 11 a.m. EDT) $25,000,000
Peninsular Metal Products Corp.________Common
(Wm. C. Roney & Co.) 10,000 shares
Scudder Fund of Canada, Ltd.________Common
(Lehman Brothers and William Street Sales, Inc.) 3,000,000 shares
United Cities Gas Co.________Preferred
(Eastman Dillon, Union Securities & Co., Inc.) $300,000

October 22 (Wednesday)
American & Foreign Power Co., Inc.________Common
(Lazard Freres & Co. and The First Boston Corp.) 185,000 shares
Kentucky Jockey Club, Inc.________Bonds & Common
(Kentucky Co. and Scherck, Richter Co.) $2,587,500

October 23 (Thursday)
Australia (Commonwealth of)________Bonds
(Morgan Stanley & Co.) $25,000,000
Central Soya Co., Inc.________Common
(Goldman, Sachs & Co. and Blyth & Co., Inc.) 200,000 shares
Chock Full O'Nuts Corp.________Common
(F. Eberstadt & Co.) 400,000 shares
Duffy-Mott Co., Inc.________Common
(Kidder, Peabody & Co.) 228,950 shares

October 27 (Monday)
Tenney Engineering, Inc.________Debentures
(Milton D. Blauner & Co., Inc.) $500,000
Tenney Engineering, Inc.________Common
(Milton D. Blauner & Co., Inc.) 25,000 shares

October 28 (Tuesday)
Bowling Corp. of America________Common
(Charles Plohn & Co.) $1,350,000
Florida Power & Light Co.________Common
(Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co.) 300,000 shares
General Aero & Electronics Corp.________Common
(Willis E. Burnside & Co., Inc.) $1,125,000
Montreal (City of)________Debentures
(Bids to be invited) $28,000,000
Texas Electric Service Co.________Bonds
(Bids noon EST) $10,000,000
Texas Electric Service Co.________Preferred
(Bids noon EST) $8,000,000

October 29 (Wednesday)
Eastern Stainless Steel Corp.________Debentures
(Offering to stockholders—underwritten by Hornblower & Weeks) $5,123,600
Glidden Co.________Debentures
(Blyth & Co., Inc.) $30,000,000
Hartford Electric Light Co.________Bonds
(First Boston Corp.; Putnam & Co.; and Chas. W. Scranton & Co.) $18,000,000
Hartford Electric Light Co.________Preferred
(First Boston Corp.; Putnam & Co. and Chas. W. Scranton & Co.) $5,000,000
Hartford Electric Light Co.________Common
(Offering to stockholders—underwritten by Putnam & Co.; Chas. W. Scranton & Co.; and First Boston Corp.) 149,633 shares
International Harvester Credit Corp.________Debens.
(Morgan Stanley & Co.; Glore, Forgan & Co.; and William Blair & Co.) $50,000,000
Puget Sound Power & Light Co.________Debentures
(Bids noon EDT) $15,000,000
Tampa Electric Co.________Preferred
(Stone & Webster Securities Corp.) $10,000,000

October 30 (Thursday)
Angelica Uniform Co.________Common
(Scherck, Richter Co. and Dempsey-Tegeler & Co.) $1,560,000
Chicago & North Western Ry.________Equip. Trust Ctfs.
(Bids noon CDT) $1,875,000
Panama (Republic of)________Bonds
(Lehman Brothers) $16,700,000

October 31 (Friday)
General Public Utilities Corp.________Common
(Offering to stockholders—clearing agent is Merrill Lynch, Pierce, Fenner & Smith) 530,000 shares

November 5 (Wednesday)
Bankers Management Co.________Common
(McDonald, Holman & Co., Inc.) $400,000

November 6 (Thursday)
Columbia Gas System, Inc.________Debentures
(Bids noon EST) $25,000,000
Indiana & Michigan Electric Co.________Bonds
(Bids 11 a.m. EST) $20,000,000

November 10 (Monday)
Perrine Industries, Inc.________Class A common
(Charles Plohn & Co.; Plymouth Bond & Share Corp., and Clayton Securities Corp.) $600,000

November 13 (Thursday)
Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be received) $5,310,000

November 18 (Tuesday)
Pacific Telephone & Telegraph Co.________Debentures
(Bids to be invited) $80,000,000

December 2 (Tuesday)
Public Service Electric & Gas Co.________Common
(May be Merrill Lynch, Pierce, Fenner & Smith) 700,000 shares

December 9 (Tuesday)
Southern Bell Telephone & Telegraph Co.________Debens.
(Bids to be received) $70,000,000

December 18 (Thursday)
Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be received) $6,450,000

Postponed Financing

Consumers Power Co.________Preferred
(Morgan Stanley & Co.) $15,000,000
Gulf States Utilities Co.________Bonds
(Bids to be invited) $17,000,000
Laclede Gas Co.________Bonds
(Bids to be invited) $10,000,000
Michigan Bell Telephone Co.________Debentures
(Bids to be invited) $40,000,000
Montana Power Co.________Bonds
(Bids to be invited) $20,000,000
Moore-McCormack Lines, Inc.________Bonds
(Kuhn, Loeb & Co and Lehman Brothers) $24,000,000
Pennsylvania Power Co.________Bonds
(Bids to be invited) $8,000,000
Southwestern Bell Telephone Co.________Debentures
(Bids to be invited) $110,000,000
Utah Power & Light Co.________Bonds
(Bids to be invited) $20,000,000

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working capital and other corporate purposes. **Underwriters**—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

Great Northern Life Insurance Co.
Aug. 12 (letter of notification) 31,011 shares of common stock (par $1) to be offered to stockholders on the basis of one new share for each seven shares held; warrants to expire Oct. 20, 1958. Unsubscribed shares to be offered to public. **Price**—$3 per share. **Proceeds**—For general funds to be used for expansion. **Office**—119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., 502 Gettle Bldg., Fort Wayne, Ind.

★ **Great Western Oil Co.**
Sept. 29 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploring and developing for oil and gas properties. **Office**—715 N. 9th St., Las Vegas, Nev. **Underwriter**—None.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Gulf States Utilities Co.
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. **Proceeds**—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Had been expected to be received on Sept. 15, but has been indefinitely postponed.

★ **Handicapped Industries, Inc.**
Oct. 8 (letter of notification) 100,000 shares of nonassessable common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—827 West Jackson, Medford, Ore. **Underwriter**—None.

★ **Hartford Electric Light Co. (10/29)**
Oct. 9 filed $18,000,000 first mortgage bonds, 1958 series E, due Oct. 1, 1988. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—The First Boston Corp., New York; Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

★ **Hartford Electric Light Co. (10/29)**
Oct. 9 filed 100,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—The First Boston Corp., New York; Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

★ **Hartford Electric Light Co. (10/29)**
Oct. 9 filed 149,633 shares of common stock (par $25) to be offered for subscription by common stockholders of record Oct. 21, 1958 at the rate of one new share for each 10 shares held; rights to expire on Nov. 17, 1958. **Price**—To be supplied by amendment. **Proceeds**—to repay bank loans and for construction program. **Underwriters** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and The First Boston Corp., New York.

Hawaiian Electric Co., Ltd.
Oct. 8 filed 84,750 shares of common stock (par $20) to be offered for subscription by holders of its outstanding common stock of record Oct. 15, 1958, at the rate of one new share for each 10 shares then held. **Price**—To be supplied by amendment. **Proceeds** — To become part of the general funds of the company and will be applied toward the cost of the company's construction program. **Underwriter**—None.

Haydu Electronic Products, Inc.
Sept. 3 (letter of notification) $300,000 6% convertible subordinated debentures due Dec. 31, 1968. To be offered for public sale. **Price**—$100 per $100 of debentures. **Proceeds**—For working capital and for general corporate purposes. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter** — Berry & Co., Plainfield, N. J. and New York, N. Y.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.**

● **Horne (Joseph) Co.**
Sept. 25 filed $2,538,900 5⅝% convertible subordinated debentures due 1973, being offered for subscription by common stockholders of record Oct. 14, 1958 on the basis of $100 of debentures for each 12 common shares held; rights to expire on Oct. 29. **Price**—100% of principal amount. **Proceeds**—Together with other funds, will be used primarily to acquire furniture and fixtures and to provide working capital for the opening of two new stores. [Pending the opening of these stores the proceeds will be used to reduce or eliminate seasonal bank borrowings.] **Business**—Department store. **Underwriter**—The First Boston Corp., New York.

Idaho Manufacturing Co., Inc.
Aug. 22 (letter of notification) 2,000 shares of class A stock (par $15), $170,000 of 6% subordinated debentures and 2,000 shares of class B stock (par $15) to be offered first to stockholders. **Price**—$15 per share for class A and $100 per unit to stockholders (each unit consisting of $85 of debentures and one class B share). **Proceeds**—For expenses of setting up production and distribution; manufacturing and operating expenses and for operating capital. **Office**—210 North 30th, P. O. Box 5070, Boise, Ida. **Underwriter**—First Idaho Corp., Boise, Ida.

Indiana & Michigan Electric Co. (11/6)
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter — S. D. Fuller & Co., New York. Offering—Being held in abeyance.

International Harvester Credit Corp. (10/29)
Oct. 9 filed $50,000,000 of 21-year debentures, series A, due 1979. **Price** — To be supplied by amendment. **Proceeds**—For purchase of receivables and to reduce short-term borrowings. **Underwriters**—Morgan Stanley & Co., Glore, Forgan & Co. and William Blair & Co.

★ **Italian Center Industries, Inc.**
Oct. 8 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To set up a plant for the production of baked goods and retail outlets. **Office**—509 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Itek Corp.
Sept. 15 (letter of notification) 9,340 shares of common stock (par $1) to be offered for subscription by common stockholders on basis of one share for each 12 shares held. Unsubscribed shares to be sold to certain stockholders. The offering will be made sometime in October. **Price**—$30 per share. **Proceeds** — For working capital and acquisition of a plant site. **Office**—1605 Trapelo Rd., Waltham, Mass. **Underwriter**—None.

● **Kentucky Jockey Club, Inc. (10/22)**
Sept. 26 filed $2,300,000 of 6% first mortgage bonds due 1973, and 230,000 shares of common stock (par $1) to be offered in units of $100 of bonds and 10 common shares (5 of which will not be separately transferable from the bonds to which they pertain prior to Dec. 1, 1959). **Price**—To be supplied by amendment (reported to be about $112.50 per unit). **Proceeds** — For completion of the Latonia plant, and for general corporate purposes. **Underwriters** — The Kentucky Co., Louisville, Ky., and Scherck, Richter Co., St. Louis, Mo.

Kinsman Manufacturing Co., Inc.
Aug. 25 (letter of notification) 1,482 shares of common stock (no par). **Price** — $100 per share. **Proceeds** — To pay off short-term obligations and to improve working capital. **Office**—90 Mill St., Laconia, N. H. **Underwriter**—None.

Laclede Gas Co.
June 13 filed $10,000,000 of first mortgage bonds due 1983. Proceeds—To refund 4⅞% first mortgage bonds due 1982. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. Bids—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

Laughlin Alloy Steel Co., Inc.
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1) Price—$5 per share. Proceeds—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." Underwriter—First Maine Corp., Portland, Me

Long Island Casualty Insurance Co.
Sept. 29 filed 100,000 shares of capital stock (par $2.50) to be offered for subscription by holders of the company's presently outstanding 55,975 shares. **Price**—$6 per share. **Proceeds**—To be added to capital funds. **Office**—Garden City, L. I., N. Y. **Underwriter**—None.

Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock, to be offered for subscription by holders of outstanding stock, on a pro rata basis. Any shares not so sold will be offered on an exchange basis to holders of outstanding 5% sinking fund debentures. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—$328,300 to redeem outstanding 5% sinking fund debentures and $189,200 to reduce short term bank loans. **Office**—Los Angeles, Calif. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

Mairs & Power Fund, Inc., St. Paul, Minn.
Aug. 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—1002 First National Bank Bldg., St. Paul, Minn.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. Offering, which was expected on July 2, has been postponed. Issue to remain in registration.

● **Mason Mortgage & Investment Corp.**
Aug. 20 filed $6,000,000 of warranty and repurchase agreements and 5,000 shares of cumulative preferred stock, 6% dividend series, the latter shares to be offered principally to holders of whole mortgage notes and related warranty agreements, although the company reserves the right to offer such stock to others. **Price**—For preferred stock, at par ($200 per share). **Proceeds**—To be used principally for the purchase of additional mortgage notes for resale to others. **Office**—2633 15th Street, N. W., Washington, D. C. **Underwriter** — None. Statement effective Oct. 7.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

● **Mid-West Durex Co., Kansas City, Mo.**
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 Alameda Ave., Denver 9, Colo. Statement effective Sept. 29.

Minerals Consolidated, Inc., Salt Lake City, Utah
Aug. 29 filed 1,000,000 units, each consisting of one share of common stock (par 10 cents) and two warrants to purchase one common share. **Price**—$1 per unit. **Proceeds**—For drilling, exploration and development of oil and gas properties. **Underwriter**—None. Stop order proceedings instituted by SEC on Oct. 6.

★ **Modern Engraving & Machine Co.**
Oct. 7 (letter of notification) 112,500 shares of common stock (par 50 cents) to be offered for subscritpion by stockholders of record Oct. 6, 1958 on the basis of one new share for each three shares held; rights to expire at 3:30 p.m. on Oct. 27, 1958. **Price**—$2 per share. **Proceeds**—To purchase all of the common stock of Thomas & George M. Stone, Inc. **Office**—1413 Chestnut Avenue, Hillside, N. J. **Underwriter**—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers**—Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc. **Offering**—Expected this Fall.

★ **Montreal (City of), Canada (10/28-29)**
Oct. 10 filed $28,000,000 of sinking fund debentures for Local Improvements due Nov. 1, 1978. **Price**—To be supplied by amendment. **Proceeds** — For public improvements, or to the repayment of interim borrowings incurred in the temporary financing of such costs. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Shields & Co., Savard & Hart Inc. and Salomon Bros. & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Oct. 28 or Oct. 29.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). Price—$10.75 per share. Proceeds—For investment. Of-

fice—1000 Power & Light Bldg., Kansas City, Mo. Underwriter—None.

Mountain States Telephone & Telegraph Co.
Sept. 3 filed 700,961 shares of capital stock being offered for subscription by stockholders of record Sept 26, 1958 at rate of one new share for each five shares held; rights to expire on Oct. 24, 1958. **Price** — At par ($100 per share). **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent; and for general corporate purposes. **Underwriter**—None. **Control**—The parent owns over 80% of the 3,504,809 outstanding shares.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

● **National Shares Corp.**
Sept. 26 filed 540,000 additional shares of capital stock (par $1) being offered for subscription by stockholders at rate of one new share for each two shares held as of Oct. 15, 1958 (with an oversubscription privilege); rights to expire on Oct. 29, 1958. **Price**—$15 per share. **Proceeds**—For investment. **Business**—A diversified management investment company of the closed-end type. **Underwriter**—None.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

● **Nebraska Consolidated Mills Co., Omaha, Neb.**
Sept. 9 filed 49,423 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each eight shares held as of Oct. 10, 1958 (with an oversubscription privilege); rights to expire on Oct. 29. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None. Statement effective Oct. 7.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

★ **Norcross Sales, Inc.**
Oct. 3 (letter of notification) 6,500 shares of common stock and 40,000 shares of series A preferred stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—3313 South Dexter St., Denver, Colo. **Underwriter**—None.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

Northwest Gas & Oil Exploration Co.
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of additional gas and oil interests and corporate administrative expenses. **Office**—150 Broadway, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

★ **Oil & Gas Ventures-First 1959 Fund, Ltd.**
Oct. 10 filed $1,500,000 of Participations in Capital as Limited Partnership Interests, to be offered in units of $25,000 each. **Proceeds**—For acquisition and exploration of oil and/or gas properties. **Office** — Madison, N. J. **Underwriter**—Mineral Projects Co., Ltd., Madison, N. J., on a best efforts basis.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

★ **Panama (Republic of) (10/30)**
Oct. 9 filed $16,700,000 of external secured bonds of 1958 to mature April 1, 1988. **Price** — To be supplied by amendment. **Proceeds** — To retire certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

● **Pauley Petroleum, Inc.**
Sept. 24 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For repayment of notes and for working capital. **Underwriter**—William R. Staats & Co., Los Angeles, Calif. **Offering**—Expected this week.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

★ **Peninsular Metal Products Corp. (10/21)**
Oct. 6 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (not to exceed an aggregate of $100,000). **Proceeds**—To a selling stockholder. **Office**—1365 Jarvis, Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

● **Penn-Texas Corp.**
Sept. 25 filed 1,488,438 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each three shares held as of Oct. 15, 1958; rights to expire on Oct. 31, 1958. **Price**—$5 per share. **Proceeds**—To be used to buy from Robert H. Morse, Sr., 297,231 common shares of Fairbanks, Morse & Co. **Underwriter**—Bear, Stearns & Co., New York.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

Peoples Gas Light & Coke Co.
Sept. 12 filed 447,346 shares of capital stock (par $25) being offered for subscription by stockholders of record Oct. 2, 1958 at rate of one new share for each 11 shares held; rights to expire on Oct. 20, 1958. **Price**—$41 per share. **Proceeds**—To repay bank loans, for advances to or additional equity investment in subsidiaries and for construction program. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

Perrine Industries, Inc., Miami, Fla. (11/10-14)
Sept. 23 filed 150,000 shares of class A common stock (par $1), of which 125,000 shares are to be sold for account of company and 25,000 shares for selling stockholders. **Price**—$4 per share. **Proceeds**—$150,000 for expansion of business of Glass Arts, Inc., a subsidiary; $100,000 for reduction of indebtedness; and the balance for general corporate purposes. **Underwriters**—Charles Plohn & Co., New York; Plymouth Bond & Share Corp., Miami, Fla.; and Clayton Securities Corp., Boston, Mass.

Plainview Country Club, Inc.
Sept. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire land and for construction of swimming pools and lockers and other uses. **Office**—Plainview, Long Island, New York. **Underwriter**—Sano & Co., New York, N. Y.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Preferred Risk Life Insurance Co.
Sept. 8 filed 250,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—Colorado Springs, Colo. **Underwriter**—None.

Puget Sound Power & Light Co. (10/29)
Sept. 26 filed $15,000,000 of debentures due Nov. 1, 1983. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—To be received up to noon (EST) on Oct. 29 at 90 Broad St., 19th Floor, New York 6, N. Y.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Citrus Securities Co., Orlando, Fla.

Reynolds Engineering & Supply, Inc.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2118 N. Charles St., Baltimore 18, Md. **Underwriter**—L. L. Bost Co., Baltimore, Md.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock. **Price**—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

Rural Telephone Co., Knox, Pa.
Sept. 29 (letter of notification) 3,000 shares of common stock (par $10) to be offered to stockholders on the basis of one new share for each three shares held; rights will expire on Oct. 31, 1958. **Price**—$20 per share. **Proceeds**—For installation, construction and working capital. **Underwriter**—None.

● **Scientific-Atlanta, Inc.**
Sept. 11 (letter of notification) 6,500 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Sept. 10, 1958 on the basis of one new share for each 20 shares held; rights to expire Nov. 14, 1958. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—2162 Piedmont Road, N. E., Atlanta 9, Ga. **Underwriter**—None.

● **Scudder Fund of Canada, Ltd. (10/21)**
Sept. 26 filed an additional 3,000,000 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Dealer-Managers**—Lehman Brothers and William Street Sales, Inc., both of New York. At end of initial distribution period (probably extending to the year end), latter will become the sole distributor of the shares.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

Shop Rite Foods, Inc., Albuquerque, N. Mex.
Sept. 25 filed 35,383 shares of common stock (par $5) to be offered for subscription by stockholders at the rate of one new share for each four shares held of record Oct. 21, 1958, rights to expire on Nov. 10. **Price**—$11.50 per share. **Proceeds**—For equipment, merchandise and general corporate purposes. **Underwriters**—First Southwest Co., Dallas, Texas; and Miner, Mee & Co., Albuquerque, New Mexico.

Simplicity Pattern Co. Inc., N. Y.
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter** — Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

● **South Carolina Electric & Gas Co.**
Aug. 12 filed $10,000,000 first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Had been expected to be received up to 11:30 a.m. (EDT) on Sept. 10, at 70 Broadway, New York, N. Y., but sale has been postponed. Placed privately as 4⅞s through Kidder, Peabody & Co., on Oct. 3.

Stanway Oil Corp.
Aug. 14 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For de-

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velopment and operation of an oil well. **Office** — 9151 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—U. S Corporation Co., Jersey City, N. J.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss

Strategic Minerals Corp. of America, Dallas, Tex
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $2 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

★ **Tampa Electric Co. (10/29)**
Oct. 8 filed 100,000 shares of series C preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Stone & Webster Securities Corp., New York.

Tennessee Gas Transmission Co.
Sept. 11 filed 467,098 shares of common stock (par $5) to be offered in exchange for outstanding capital stock (5,766.633 shares) of Hartol Petroleum Corp. on the basis of 81 shares of Tennessee Gas stock for each Hartol share. Statement effective Oct. 8.

Tenney Engineering, Inc., New York (10/27-31)
Oct. 2 filed 25,000 shares of common stock (par 10 cents) and $500,000 of 6% convertible subordinated debentures due Nov. 1, 1968. **Price**—To be supplied by amendment. **Proceeds** — To retire outstanding bank loans, to cancel notes and for general corporate purposes. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Texas Electric Service Co. (10/28)
Oct. 2 filed $10,000,000 of first mortgage bonds due 1988. **Proceeds**—Together with other funds, will be used for construction program, and other corporate purposes, including the repayment of $1,600,000 borrowed from Texas Utilities Co. (parent company). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Oct. 28, in Room 2003, Two Rector St., New York 6, N. Y.

Texas Electric Service Co. (10/28)
Oct. 2 filed 80,000 shares of cumulative preferred stock (no par). **Proceeds**—Together with other funds, will be used for construction program, and other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kuhn, Loeb & Co., Blyth & Co., Inc., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Oct. 28, in Room 2003, Two Rector St., New York 6, N. Y.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo. Ia., is President.

Trans Caribbean Airways, Inc. (N. Y.)
Oct. 6 filed $1,100,000 of 5½% convertible subordinated debentures, due Oct. 1, 1968. **Price**—100% of pirncipal amount. **Proceeds**—To be added to the general funds of the company to replenish working capital expended in the acquisition of aircraft. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Tricon, Inc.
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. **Office** — 540 Steamboat Rd., Greenwich, Conn. **Underwriter**—Sano & Co., New York, N. Y.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H Dunn is President.

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Union Finance Corp., Tampa, Fla. (10/20-24)
Sept. 26 filed $500,000 of 6% 20-year sinking fund convertible capital debentures due Oct. 15, 1978. **Price** — 100% and accrued interest. **Proceeds**—To be added to the general funds of the company and initially used to reduce bank loans and short term notes. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

United Cities Gas Co. (10/21)
Sept. 26 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock, 1958 series. **Price**—At par ($10 per share). **Proceeds**—To pay redemption price of outstanding preferred stock and for expansion and working capital. **Office** — Room 938, Merchandise Mart, Chicago 54, Ill. **Underwriter** — Eastman Dillon, Union Securities & Co., Inc., Chicago, Ill.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

● **Universal Oil Recovery Corp., Chicago, Ill.**
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter** — None. Statement withdrawn Aug. 4.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

★ **Venture Capital, Inc.**
Oct. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — Room 607, 818-17th St., Denver 2, Colo. **Underwriter**—None.

● **Weingarten (J.), Inc., Houston, Texas**
Sept. 22 filed $6,500,000 of sinking fund debentures due Oct. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding indebtedness and for expansion of supermarket chain and related facilities. **Underwriters**—White, Weld & Co., New York; and Moroney, Beissner & Co., Houston, Texas. **Offering**—Expected today or tomorrow.

● **Weingarten Markets Realty Co.**
Sept. 19 filed $1,600,000 of 6% sinking fund debentures, due Nov. 1, 1978, and 50,000 shares of common stock (par $1). The offering of the common stock will be subject to the right of certain stockholders to subscribe for a total of 9,410 shares at the rate of one new share for each four shares held. [Stockholders who have right to subscribe for remaining 40,590 shares have waived such right.] **Price**—To be supplied by amendment. **Proceeds**—To discharge bank loans and other indebtedness, and the balance will be used for further property acquisitions and development and other regular corporate purposes. **Underwriter**—Moroney, Beissner & Co., Houston, Texas. **Offering**—Expected this week.

● **Western Carolina Telephone Co.**
June 6 filed 89,391 shares of common stock being offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held on Sept. 26; rights to expire on Oct. 31. **Price** — At par ($5 per share). **Proceeds** — To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None. Statement effective Sept. 26.

★ **Western Fence & Wire Works, Inc.**
Oct. 7 (letter of notification) 200 shares of common stock (par $100) to be offered to employees. **Price**—At a sliding scale based on seniority of employees (between $100 and $150 per share). **Proceeds** — For working capital. **Office**—1233 N. W. Lovejoy St., Portland, Ore. **Underwriter**—None.

Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

★ **Westinghouse Electric Corp.**
Oct. 13 filed $10,000,000 of participations in the company's Employee Savings Plan, together with 149,254 shares of common stock which may be purchased pursuant to said plan.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Arvida Corp. (Florida)
Sept. 18 it was announced by Arthur Vining Davis, former Chairman of Aluminum Co. of America, that it is planned to raise between $25,000,000 and $35,000,000 through the sale of common stock of Arvida Corp. **Price**—Expected to be about $10 or $11 per share. **Proceeds**—To develop residential communities in the near future complete with regional shopping areas, industrial parks, utility installations and recreational facilities. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Dominick & Dominick, both of New York. **Offering**—Scheduled to begin within the next two months. **Registration** — Expected in the near future.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

Bank of New York

Sept. 30 stockholders approved a proposal to increase the capital stock by 110,000 shares to a total of 270,000 shares. The bank will issue 80,000 shares as a 50% stock dividend and offer to stockholders the right to subscribe for the remaining 30,000 shares in the ratio of one new share for each eight shares held after giving effect to the stock distribution. **Price**—To be determined by trustees at a later date. **Proceeds**—To increase capital and surplus. **Underwriter**—Morgan Stanley & Co., New York.

California Electric Power Co.

July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities October, 1958. May be placed privately. **Proceeds**—To repay bank loans.

Central Electric & Gas Co.

Sept. 11 the company applied to the Nebraska Railway Commission for authority to sell up to 100,000 shares of common stock (par $3.50) and up to $3,000,000 convertible debentures. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp

★ Chicago & North Western Ry. (10/30)

Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CDT) on Oct. 30 for the purchase from it of $1,875,000 equipment trust certificates, dated Oct. 15, 1958, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Commonwealth Edison Co.

Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

Denmark (Kingdom of)

Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

Equitable Gas Co.

July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York

First City National Bank

Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—931 Main St., Houston 1, Tex.

Gas Service Co.

March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding probable bidders may be Halsey, Stuart & Co. Inc. Merrill Lynch, Pierce, Fenner & Smith, and White Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

Grace Line Inc.

Company plans to issue $9,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Paula" later in 1958. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith Barney & Co.; White, Weld & Co., and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.

Feb 19 it was reported a secondary offering of common voting stock is expected this year. **Underwriters** — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

★ Haverhill Gas Co.

Oct. 20 stockholders will vote on a proposal to increase authorized capital by an additional 12,285 shares of capital stock (par $10) which would be offered for subscription by stockholders on a pro rata basis, with an additional subscription privilege. Stockholders will also vote on authorizing issuance and sale of $900,000 5¼% first mortgage bonds, due Oct. 1, 1983. **Proceeds**—Together with other funds, will be used to pay bank debt, and for expansion purposes. **Underwriter** — Stone & Webster Securities Corp., New York.

Heublein, Inc.

Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering** — Expected sometime in October or November.

Japan (Empire of)

Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Underwriter**—The First Boston Corp., New York.

Kansas Gas & Electric Co.

March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co

Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Kentucky Utilities Co.

June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—For any common stock: Blyth & Co., Inc. and J. J. B. Hilliard & Son. For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith, (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Laboratory for Electronics, Inc.

July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Lorillard (P.) Co.

Sept. 17 company announced it plans to offer its stockholders the right to subscribe for approximately 363,000 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For general corporate purposes. **Underwriters** — Lehman Brothers and Smith, Barney & Co., both of New York. **Registration**—Expected early in November.

Master Fund, Inc., Fairfield, Calif.

Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

★ Merchants Bank of New York

Oct. 14 stockholders approved, among other things, an offering of 6,000 shares of additional capital stock (par $12.50) to stockholders of record Oct. 15 on the basis of one new share for each eight shares held; rights to expire on Nov. 10. **Price**—$41 per share. **Proceeds**—To increase capital and surplus.

Michigan Bell Telephone Co.

Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.

March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.

March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.

March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.

March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

Narda Ultrasonics Corp., N. Y.

Sept. 8 it was reported that the company plans a registered secondary offering of 60,000 shares of common stock (par 10 cents). **Proceeds**—To selling stockholders. **Business**—Manufacture of ultrasonic equipment. **Control**—The company is controlled by Narda Microwave Corp., N. Y. **Underwriter** — To be named at a later date. **Registration**—Expected late in October.

New York State Electric and Gas Co.

March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (11/13) (12/18)

Bids will be received this Fall by the company for the purchase from it of $11,760,000 equipment trust certificates due from 1-to-15 years, viz: Nov. 13, $5,310,000; and Dec. 18, $6,450,000. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

Northern Illinois Gas Co.

June 10 it was announced company will sell late this year $10,000,000 mortgage bonds but on Sept. 12 it was stated that immediate financing will not be necessary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Gas & Electric Co.

March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co. (11/18)

Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Nov. 18.

Pacific Telephone & Telegraph Co.

Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Dec. 31, 1957, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

Public Service Electric & Gas Co. (12/2)

Sept. 22 it was reported that the company plans offering 700,000 additional shares of common stock, and plans to apply to the State Public Utility Commission seeking exemption from competitive bidding. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Smith.

St. Joseph Light & Power Co.

Sept. 19 it was announced that the company has deferred temporarily its plans to market $6,500,000 in bonds and/or preferred stocks. A bank credit of $6,000,000 has been arranged — in lieu of the long-term financing. **Proceeds**—For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Southeastern Fidelity Fire Insurance Co.

Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co. (12/9)

Sept. 22 directors authorized the issuance of $70,000,000 of 35-year debentures to be dated Dec. 1, 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on or about Dec. 9. **Registration**—Expected in mid-November.

Southern Colorado Power Co.

May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southwestern Bell Telephone Co.

July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

Union Electric Co., St. Louis, Mo.

March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

Universal Oil Products Co.

Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in November.

Venezuela (Government of)

July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate

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are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,-000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. **Dealer-Manager**—Harriman Ripley & Co Inc., New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Smith Barney & Co. and Robert W. Baird & Co., Inc. (jointly) Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder Peabody & Co. and Salomon Bros. & Hutzler (jointly): The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this Fall.

Price Stability Equally Important: ABA

Equating price stability with other goals of 1946 Employment Act is recommended by American Bankers Association's Economic Policy Commission.

The Economic Policy Commission of the American Bankers Association on Oct. 6 called for an amendment of the Employment Act of 1946 with "a straightforward declaration that avoidance of inflation is one of the primary objectives of public economic policy." The Commission's statement, which stresses price stability as being equal in importance with "maximum employment and output," was released by Jesse W. Tapp, Chairman of the Commission, and Chairman of the Board of the Bank of America N. T. & S. A., Los Angeles.

Jesse W. Tapp

The text of the ABA statement follows:

"The Employment Act of 1946 is our basic guide to national economic policy. It pledges the government's efforts 'to promote maximum employment, production, and purchasing power.'

"While the act recognizes the existence of 'other essential considerations of national policy,' it makes no explicit mention of general price stability. This leaves it open to the interpretation that avoidance of inflation may be less important than the maintenance of high levels of output and employment.

"At the time the Employment Act was passed, there was a widespread fear, based on experience during the 1930's, that the nation would have great difficulty in achieving a high rate of resource use under peacetime conditions. This doubtless explains why so much emphasis was placed on maximum employment and output, without apparent recognition of the importance of safeguarding the buying power of the dollar.

"Developments since then, however, have emphasized the need for the Federal Government to be concerned with inflationary as well as deflationary dangers. In view of these recurring threats to the value of our money, it would be highly desirable to amend the Employment Act with a straightforward declaration that avoidance of inflation is one of the primary objectives of public economic policy.

"Such an amendment would in no sense weaken the other objectives mentioned in the Employment Act, but would reinforce and support them. The goals of maximum output and employment, a satisfactory rate of growth, and reasonable price stability are inseparably interdependent. No one of them can be achieved on a sustainable basis without the other two. Conflict would exist only if we were to push any one of them to an extreme instead of seeking the best possible 'mix' or balance which would result in a good overall performance of the economy.

"Some hold that we are faced with a Hobson's choice between maximum employment and price-level stability — that we cannot have one without sacrificing the other. This is a deafeatist view. There is no reason to assume that these two objectives are basically incompatible. There is no conflict between them unless 'maximum employment' is defined as synonymous with continuous brimful employment, supported by governmental policies aimed at eliminating even minor fluctuations in output and employment. This approach would not only be inherently inflationary but would be unrealistic and self-defeating as well.

"Similarly, there is no logical reason for assuming that we cannot have a satisfactory rate of economic growth without continuously rising prices. On the contrary, there are good reasons for believing that inflation impedes growth. Even mild, creeping inflation can retard economic progress because it tends to foster inefficient management, distort investment decisions, prevent desirable shifts in economic resources, disturb the functional balance of costs, prices, and incomes, and discourage saving and capital accumulation. Avoidance of inflation is, therefore, a necessary collateral objective of public policies designed to maintain a healthy, dynamic economy which will provide jobs for our growing labor force and a rising scale of living for the American people.

"In our judgment, the goal of price stability is already implicit in the language of the Employment Act. However, there are some people who disagree with this interpretation, and it is for this reason that we believe that Congress should amend the act to remove all doubts on this score.

"It would be most unfortunate if the Employment Act were to be widely construed as condoning or subscribing to a policy of continuing inflation. Were the public to acquire a general expectation of a persistent uptrend in prices, patterns of conduct would soon develop which would tend to accelerate the pace of inflation in a cumulative fashion. This would eventually confront us with an unhappy choice between letting inflation run on to eventual economic chaos or imposing highly unpalatable economic controls to check or suppress it.

"Amendment of the Employment Act to include avoidance of inflation as one of our major objectives would constitute a clear and unmistakable declaration that the goal of price stability will receive proper emphasis as one of the broad aspects of our public policy. It would indicate a determination on the part of the government to pursue a consistent and predictable policy of fighting inflation. It would strengthen the hands of those in our government and in the Federal Reserve System who are trying to help keep our economy sound.

"It should be emphasized that the goal of price stability cannot be achieved by governmental policies alone. All economic groups — including bankers as well as businessmen, labor leaders, and individuals — have important responsibilities in this regard. Official endorsement of the objective of price-level stability would serve to remind these groups of their responsibilities and would encourage self-restraint on their part. It would also exert a dampening effect upon the inflationary expectations of the public. Finally, it would set a constructive example for other countries in whose economic health we are profoundly interested.

"In short, as has been pointed out by the Chairman of the Board of Governors of the Federal Reserve System, Congress can contribute greatly to combating inflation 'by declaring resolutely — so that all the world will know— that stabilization of the cost of living is a primary aim of Federal economic policy.'

"We propose, therefore, that the Employment Act be amended to recognize specifically and unequivocally the importance of safeguarding the value of the dollar, along with the other central objectives stated in the act. This action would constitute an important act of legislative leadership and would contribute significantly to the achievement of the growth, stability, and widespread economic well-being which all groups in our economy so ardently desire."

In addition to Chairman Tapp, members of the ABA Economic Policy Commission who prepared this report include: Daniel W. Bell, Chairman of Board and President, American Security and Trust Co., Washington, D. C.; Adrian M. Massie, Chairman of Board, The New York Trust Co., New York City; John W. Remington, President, Lincoln Rochester Trust Co., Rochester, N. Y.; Edward B. Smith, President, the Northern Trust Co., Chicago; John S. Alfriend, Chairman of Board and President, National Bank of Commerce, Norfolk, Va.; William A. Lyon, President, Dry Dock Savings Bank, New York City; John A. Sibley, Chairman of Board, The Trust Co. of Georgia, Atlanta; Sidney B. Congdon, Chairman of Board, The National City Bank of Cleveland; Frederic A. Potts, President, Philadelphia National Bank; Herbert V. Prochnow, Vice-President, The First National Bank of Chicago; David Rockefeller, Vice-Chairman of Board, The Chase Manhattan Bank, New York City; E. Sherman Adams, ABA, New York, Deputy Manager in Charge; and Murray G. Lee, ABA, New York, Secretary.

Our Reporter's Report

The investment markets appeared to become a little tired in the wake of their recent rather sharp recovery from the lows, but such correction as developed was mild in scope.

Because of the letdown in the flow of offerings brought to market via the competitive bidding method, and the ready reception accorded the several substantial flotations handled by negotiations, there is currently no pressing burden of inventory in underwriter or dealer hands.

On the contrary, underwriting capital is largely fluid and bankers are in a position to get to work rapidly once they are satisfied with the behavior of the market and the outlook.

For the moment, however, it appears that the biggest deterrent to renewal of activity in the corporate debt capital market is the disposition to wait and see what the Treasury plans to do in meeting its big November rollover.

Interest centers too in whether the Federal fiscal agency will seek out additional cash as a part of the overall operation. Last month's announcement of terms for raising some $3.4 billion of new money, it was recalled, upset the Treasury list for a while.

So once again it appears we could be in a period of indecision pending the outcome of conferences between Treasury officials and leaders in the banking and investment banking world in the next week or two.

How New Issues Fare

The cleavage in the new issue market between negotiated deals and those completed through competitive bidding was evident in the reception accorded several of the week's new offerings.

Idaho Power Co.'s $15 million of new 30-year, first mortgage bonds ran into a host of bidders and was awarded to the top group on a bid of 99.21 for a 4½% coupon rate. Priced at 100 for reoffering, the bonds were reported as getting away to a rather slow start.

Oxford Paper Co.'s 4¾% convertibles, brought out in the amount of $10 million, and priced at 100, moved up quickly to a sizable premium, helped naturally by the conversion feature.

Slow Week Ahead

Another comparatively quiet week looms ahead for the new issue market. Tuesday, unless conditions change, will see Cincinnati & Suburban Bell Telephone Co. open bids for $25 million of debentures.

The following day American & Foreign Power Co. is marketing 185,000 shares of new common through a negotiated deal with its banker.

On Thursday the Commonwealth of Australia is slated to market $25 million of bonds. This one naturally is being done by negotiations.

Underwriters managed to keep relatively busy through the medium of several substantial "standby" operations. Largest of these was J. I. Case Co.'s $20,-130,400 of new debentures.

The debentures, convertible for 10 years into common stock, are available to holders at the rate of $100 for each 14 shares held Oct. 14, with rights expiring Oct. 30.

Penn-Texas Corp.'s offering of 1,488,438 shares of additional capital stock to its holders at a price of $5 a share, also was slated to get under way today.

Joins Curtiss, House

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William L. Frazier has been added to the staff of Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Producing the Unwanted

"This year, next year, and possibly for a number of years to come this country is going to have to live with a heavy surplus of grains, both food and feed.

"For a great number of individuals within the nation, this prospect is not altogether comfortable. I am thinking particularly of the grower of grain, of the cornhog producer, of you folks who deal in grain, and finally, of course, of those of us in the Agriculture Department who have to concern ourselves with the problem of how best to cope with the overflow of this overabundance that is likely to end up in government hands."—Marion McLain, Assistant Secretary of Agriculture.

The ultimate answer is simple: Fewer men producing less grain and more men producing other things that are not in overabundance. Natural forces would correct the situation—indeed, would have done so long ago—if given the opportunity.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Oct. 19	§73.6	*71.6	65.6	80.9
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 19	§1,987,000	*1,933,000	1,771,000	2,070,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 3	7,013,585	7,099,785	7,060,285	6,811,615
Crude runs to stills—daily average (bbls.)	Oct. 3	¶7,507,000	7,639,000	7,982,000	7,779,000
Gasoline output (bbls.)	Oct. 3	26,463,000	27,758,000	28,336,000	27,793,000
Kerosene output (bbls.)	Oct. 3	1,730,000	2,143,000	1,720,000	1,651,000
Distillate fuel oil output (bbls.)	Oct. 3	12,276,000	12,475,000	12,499,000	12,305,000
Residual fuel oil output (bbls.)	Oct. 3	6,709,000	7,034,000	7,051,000	7,659,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 3	172,482,000	173,481,000	174,501,000	177,383,000
Kerosene (bbls.) at	Oct. 3	31,317,000	30,942,000	28,865,000	35,775,000
Distillate fuel oil (bbls.) at	Oct. 3	156,528,000	153,633,000	142,209,000	171,291,000
Residual fuel oil (bbls.) at	Oct. 3	68,742,000	69,595,000	68,082,000	58,103,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 4	677,016	672,924	563,351	747,647
Revenue freight received from connections (no. of cars)	Oct. 4	572,109	568,608	493,120	620,045
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 9	$353,104,000	$495,709,000	$360,707,000	$323,874,000
Private construction	Oct. 9	125,193,000	166,032,000	104,601,000	150,417,000
Public construction	Oct. 9	227,911,000	329,677,000	256,106,000	173,457,000
State and municipal	Oct. 9	184,271,000	252,040,000	219,535,000	120,251,000
Federal	Oct. 9	43,640,000	77,637,000	36,511,000	53,206,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 4	8,405,000	8,895,000	7,020,000	9,931,000
Pennsylvania anthracite (tons)	Oct. 4	486,000	491,000	401,000	569,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 4	146	136	123	136
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 11	12,067,000	12,111,000	12,248,600	11,709,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 9	271	301	256	244
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 7	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Oct. 7	$66.41	*$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Oct. 7	$42.83	$43.50	$42.83	$39.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 8	26.100c	26.100c	26.100c	26.350c
Export refinery at	Oct. 8	27.025c	25.900c	25.100c	23.925c
Lead (New York) at	Oct. 8	12.268c	11.500c	10.750c	14.000c
Lead (St. Louis) at	Oct. 8	12.068c	11.300c	10.550c	13.800c
‡Zinc (delivered) at	Oct. 8	11.277c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Oct. 8	10.777c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Oct. 8	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Oct. 8	96.500c	95.250c	94.375c	92.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 14	89.38	88.28	89.36	86.36
Average corporate	Oct. 14	89.92	89.64	90.20	89.51
Aaa	Oct. 14	94.56	93.97	94.86	94.86
Aa	Oct. 14	93.08	92.64	92.93	91.91
A	Oct. 14	89.64	89.37	89.92	89.51
Baa	Oct. 14	83.03	83.15	83.66	82.65
Railroad Group	Oct. 14	87.86	87.99	88.54	87.99
Public Utilities Group	Oct. 14	89.37	88.81	89.78	89.23
Industrials Group	Oct. 14	92.64	92.06	92.20	91.48
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 14	3.47	3.58	3.46	3.71
Average corporate	Oct. 14	4.42	4.44	4.40	4.45
Aaa	Oct. 14	4.16	4.14	4.08	4.08
Aa	Oct. 14	4.20	4.23	4.21	4.28
A	Oct. 14	4.44	4.46	4.42	4.45
Baa	Oct. 14	4.94	4.93	4.89	4.97
Railroad Group	Oct. 14	4.57	4.56	4.52	4.56
Public Utilities Group	Oct. 14	4.46	4.50	4.43	4.47
Industrials Group	Oct. 14	4.23	4.27	4.26	4.31
MOODY'S COMMODITY INDEX	Oct. 14	388.3	388.8	392.7	385.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 4	373,237	288,837	315,720	403,701
Production (tons)	Oct. 4	308,845	308,455	218,998	298,603
Percentage of activity	Oct. 4	95	94	73	97
Unfilled orders (tons) at end of period	Oct. 4	482,780	423,901	508,828	547,046
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 10	108.79	108.92	108.58	110.13
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 20	2,390,110	2,008,150	1,624,840	1,046,390
Short sales	Sept. 20	523,380	433,790	323,330	238,830
Other sales	Sept. 20	1,852,430	1,524,420	1,294,700	868,320
Total sales	Sept. 20	2,375,810	1,958,210	1,618,030	1,107,150
Other transactions initiated on the floor—					
Total purchases	Sept. 20	614,480	534,110	341,060	193,650
Short sales	Sept. 20	49,000	32,500	46,600	31,900
Other sales	Sept. 20	528,180	477,880	325,640	231,380
Total sales	Sept. 20	577,180	510,380	372,240	263,280
Other transactions initiated off the floor—					
Total purchases	Sept. 20	815,470	677,929	523,790	385,600
Short sales	Sept. 20	148,410	158,770	104,520	65,290
Other sales	Sept. 20	983,360	705,455	574,424	367,069
Total sales	Sept. 20	1,131,770	864,225	678,944	432,355
Total round-lot transactions for account of members—					
Total purchases	Sept. 20	3,820,060	3,220,189	2,489,690	1,635,640
Short sales	Sept. 20	720,790	625,060	474,450	336,020
Other sales	Sept. 20	3,363,970	2,707,755	2,194,764	1,466,765
Total sales	Sept. 20	4,084,760	3,332,815	2,669,214	1,802,785
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Sept. 20	1,515,446	1,333,254	1,063,072	1,066,245
Dollar value	Sept. 20	$72,896,620	$63,732,858	$47,816,076	$48,894,082
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 20	1,633,505	1,426,379	1,118,842	782,621
Customers' short sales	Sept. 20	6,092	5,892	7,633	9,074
Customers' other sales	Sept. 20	1,627,413	1,420,487	1,111,209	773,547
Dollar value	Sept. 20	$74,081,521	$64,937,244	$48,016,872	$36,867,319
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 20	567,610	479,400	393,882	186,480
Short sales	Sept. 20	------	------	------	------
Other sales	Sept. 20	567,610	479,400	393,882	186,480
Round-lot purchases by dealers—					
Number of shares	Sept. 20	461,570	406,080	342,180	448,610
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Sept. 20	844,630	782,760	662,790	446,520
Other sales	Sept. 20	18,003,370	15,535,020	11,830,550	8,103,190
Total sales	Sept. 20	18,848,000	16,317,780	12,493,340	8,549,710
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 7	118.7	118.8	119.0	117.6
Farm products	Oct. 7	92.2	91.9	93.3	91.3
Processed foods	Oct. 7	110.4	*111.1	110.8	105.0
Meats	Oct. 7	105.4	108.4	108.4	91.6
All commodities other than farm and foods	Oct. 7	126.0	126.0	126.1	125.7

*Revised figure. ¶Includes 927,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate terms credit in millions as of Aug. 30:			
Total consumer credit	$43,217	$43,026	$43,101
Instalment credit	33,232	33,133	33,303
Automobile	14,625	14,673	15,490
Other consumer goods	8,280	8,220	8,229
Repairs and modernization loans	1,980	1,952	1,954
Personal loans	8,347	8,288	7,630
Noninstalment credit	9,985	9,893	9,798
Single payment loans	3,603	3,531	3,458
Charge accounts	3,937	3,901	3,925
Service credit	2,445	2,461	2,415
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	11,681,000	*11,373,000	13,020,000
Durable goods	6,355,000	*6,281,000	7,489,000
Nondurable goods	5,326,000	5,092,000	5,531,000
Employment indexes (1947-49 Avg.=100)—			
All manufacturing	94.4	*91.9	105.3
Payroll indexes (1947-49 Average=100)—			
All manufacturing	149.0	*145.0	164.6
Estimated number of employees in manufacturing industries—			
All manufacturing	15,489,000	*15,172,000	16,949,000
Durable goods	8,584,000	*8,502,000	9,821,000
Nondurable goods	6,905,000	*6,670,000	7,128,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of July:			
Death benefits	$246,800,000	$229,700,000	$233,400,000
Matured endowments	55,300,000	58,700,000	54,700,000
Disability payments	10,200,000	10,100,000	*9,500,000
Annuity payments	50,400,000	49,400,000	46,500,000
Surrender values	120,600,000	115,800,000	107,500,000
Policy dividends	106,700,000	115,500,000	99,500,000
Total	$590,000,000	$579,200,000	*$551,100,000
METAL PRICES (E. & M. J. QUOTATIONS)—September:			
Copper—			
Domestic refinery (per pound)	26.081c	26.088c	26.435c
Export refinery (per pound)	25.489c	25.179c	23.926c
††London, prompt (per long ton)	£209.313	£205.813	£193.935
††Three months, London (per long ton)	£209.426	£206.056	£197.256
Lead—			
Common, New York (per pound)	10.872c	10.856c	14.000c
Common, East St. Louis (per pound)	10.672c	10.656c	13.800c
††London, prompt (per long ton)	£70.523	£70.384	£89.836
††Three months, London (per long ton)	£71.855	£71.853	£90.455
Zinc (per pound)—East St. Louis	10.000c	10.000c	10.000c
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	10.500c
††Zinc, London, prompt (per long ton)	£65.031	£63.831	£73.086
††Zinc, London, three months (per long ton)	£65.389	£64.566	£73.372
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88,673c	88.625c	90.602c
Silver, London (per ounce)	75.881d	75.000d	78.720d
Sterling Exchange (check)	$2.80328	$2.805511	$2.78509
Tin, New York Straits	93.975c	94.933c	93.385c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$238.200	$237.769	$244.750
¶Antimony, New York, boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29,500c	29.500c	33.500c
Platinum, refined (per ounce)	$59.720	$61.000	$84.000
†Cadmium, refined (per pound)	$1.52600	$1.55000	$1.70000
‡Cadmium (per pound)	$1.52600	$1.55000	$1.70000
§Cadmium (per pound)	$1.52600	$1.55000	$1.70000
Cobalt, 97% grade (per pound—ounce ton)	$2.00000	$2..00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.800c	26.782c	28.100c
Aluminum, 99% grade primary pig	24.700c	24.682c	26.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Sept.:			
Industrials (125)	3.54	3.72	4.27
Railroads (25)	4.89	5.35	7.34
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.23	4.39	5.12
Banks (15)	4.15	4.43	4.81
Insurance (10)	2.98	2.97	3.49
Average (200)	3.72	3.91	4.56
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Sept.	£11,143,000	£26,037,000	£12,061,000
NEW YORK STOCK EXCHANGE—			
As of Aug. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,152,000	$3,168,999	$2,862,412
Credit extended to customers	136,000	148,868	29,749
Cash on hand and in banks in U. S.	332,000	331,447	331,684
Total of customers' free credit balances	1,103,000	1,079,936	816,374
Market value of listed shares	237,509,464	234,506,830	217,897,831
Market value of listed bonds	110,165,431	116,425,440	99,014,578
Member borrowings on U. S. Gov't issues	341,335	689,004	139,053
Member borrowings on other collateral	1,882,916	2,051,563	2,164,355
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of June	3.663	3.507	2.748
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of July (000's omitted):			
Savings and loan associations	$986,186	$910,163	$852,032
Insurance companies	124,950	110,006	129,578
Banks and trust companies	491,460	429,193	390,108
Mutual savings banks	164,662	139,712	141,,959
Individuals	308,132	279,372	324,968
Miscellaneous lending institutions	467,372	406,889	371,916
Total	$2,542,762	$2,275,335	$2,210,561
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Aug. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$280,000,000	$280,000,000	$275,000,000
Outstanding—			
Total gross public debt	278,475,533	275,466,164	272,468,742
Guaranteed obligations not owned by the Treasury	108,478	102,094	106,672
Total gross public debt and guaranteed obligations	$278,584,011	$275,568,258	$272,575,414
Deduct—other outstanding public debt obligations not subject to debt limitation	428,269	429,147	444,439
Grand total outstanding	$278,155,742	$275,139,111	$272,130,975
Balance face amount of obligations, issuable under above authority	1,844,257	4,860,888	2,869,024

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Port Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Gold Fund's Asset Value Up Quickly

Charles W. Engelhard, Chairman of the Board of Directors of American-South African Investment Co., Ltd., a recently organized closed-end investment company, announced after a meeting of the directors held in Toronto, Canada that the company had completed the purchase, for approximately $22,500,000, of securities of various South African companies, most of which are engaged in mining gold, and that the company had decided to exercise options to acquire additional securities at a cost of approximately $2,174,000.

In addition, the company plans to place a portion of its assets in short-term securities pending a gradual investment of the balance of its funds.

Mr. Engelhard further stated that the net asset value, which immediately after the sale last month of the outstanding 1,200,000 common shares and after payment of underwriting discounts and expenses, but before the purchase by the company of any investments, had amounted to approximately $25.84 per share, had increased as of Oct. 7, 1958 to approximately $27.25 per share.

Mr. Engelhard explained that the increase in asset value could be attributed to the favorable contracts under which the company made its initial investments, an increase in share prices on the Johannesburg Stock Exchange and the receipt of dividends.

The South African Parliament has recently enacted legislation which exempts the company's profits from taxation regardless of whether or not they result from the sale of assets purchased and held as an investment or as a speculation, he reported.

In addition, Mr. Engelhard said that Mr. Ian G. McPherson had been elected Managing Director of South African Investment Advisor (Proprietary) Limited, the South African corporation which will provide the company with investment advice. Mr. McPherson resigned as a partner in the investment brokerage firm of Davis & Wiley of Johannesburg to accept this position.

Incorporated Over $100 Million Mark

The Parker Corporation celebrated the fourth birthday of Incorporated Income Fund on Oct. 6 by announcing that the assets of the Fund have passed the 100 million dollar mark. The Fund was started in October, 1954, with 10 million dollars and 5,600 shareholders. Shareholders now total approximately 33,000. Asset value per share since Jan. 1, 1958 to date has increased 28%.

Mutual Funds

By ROBERT R. RICH

Base Seen Laid for Recovery and a Resumption Of Long - Term Growth of the Economy

"The base has been laid for economic recovery and resumption of long-term growth," in the opinion of Thurston P. Blodgett, Vice-President, Director and member of the Executive Committee of the Broad Street Group of Mutual Funds and Tri-Continental Corporation, who spoke at a special meeting of downtown Los Angeles investment dealers recently. The Broad Street Group of Mutual Funds includes Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc., and together with Tri-Continental Corporation, the nation's largest diversified closed-end investment company, have combined assets in excess of $550 million.


Thurston P. Blodgett

The New York investment company executive went on to say that the "recovery in business will not necessarily be steady and uninterrupted, and might even turn out to follow the form of a W instead of being V-shaped, as has been the case up to the present. Nevertheless," he believes, "business has withstood the deflationary forces of recession in a remarkable way and the underlying strength of the economy has been well-demonstrated."

Mr. Blodgett brought out that "exhaustive study of price-to-earnings ratios of individual stocks has demonstrated that a high multiple for earnings and a consequent low yield for a stock are a reflection not only of growth in earnings and dividends, but equally importantly the strength and permanence of earnings power and the steadiness and dependability of dividends."

Mr. Blodgett, who is widely known for his work in the field of investment research, noted that "one reason stocks have given higher yields than bonds for most periods in the past, has been the severe fluctuation in corporate earnings caused by recurrent sharp interruptions to economic growth. He went on to say that "it follows that if the economy has achieved greater stability, as may be the case, it would seem that common stocks would receive higher rating as investments, selling at higher multiples of earnings and on a lower yield basis. Viewed in this light, the current higher level of stock prices in relation to earnings is less surprising and may reflect in part recognition by investors that the stability of the economy has passed a severe test with flying colors."

United Corp. Assets Now $105 Million

Net assets of The United Corporation, closed-end investment company, as of Sept. 30, 1958 totalled $104,976,212, equal to $7.46 a share on the 14,072,149½ outstanding shares, Wm. M. Hickey, President, announced at a special meeting of stockholders held in Wilmington, Del. to elect two new directors. The net assets as of Sept. 30 compared with $99,946,874 or $7.10 a share on June 30, 1958 and $88,422,644 or $6.28 per share on Sept. 30, 1957.

Frederick Krug, Montreal, Canada, and Vernon F. Taylor, San Antonio, Tex., were elected directors of United, increasing the board from six to eight members. Mr. Krug is President and a director of Canadian International Power Company Limited, an affiliate of United, and Mr. Taylor is President and a director of Peerless Oil & Gas Co.

Net investment income of United for the first nine months of 1958 amounted to $2,412,367, equivalent to 17.1 cents a share, and net realized gain on investments was $3,602,420, or 25.6 cents a share, a total of $6,014,787 or 42.7 cents a share. In the first nine months of last year, net investment income was $2,606,903 or 18.5 cents a share while net realized gain on investments was $2,835,668 or 20.2 cents per share, a total of $5,442,571 or 38.7 cents a share.

Unrealized appreciation of investments as of Sept. 30, 1958 was $41,686,254 compared with $38,867,062 three months earlier.

One William Street Fund Assets Pass Quarter-Billion

Net assets of The One William Street Fund totalled $252,000,000 on Sept. 30, Dorsey Richardson, President, announced in the initial report to the stockholders of the new mutual fund, numbering over 120,000.

Mr. Richardson disclosed that 61.8% of the fund's assets were invested in common stocks at the end of September and that a dividend of six and one-half cents per share, payable on Nov. 10 to stockholders of record Oct. 15, was declared today by the fund's Board of Directors.

Up to Sept. 30, the assets of the fund increased by more than $21 million from net purchase of additional shares by investors, and by $7.8 million from unrealized appreciation of portfolio holdings.

Net investment income of the fund between May 29 and Sept. 30 totalled more than $1.4 million and the net asset value per share increased from $11.56 to $12.02.

The One William Street Fund commenced business on May 29 with assets of $221 million after the largest initial offering of mutual fund shares in history. The offering was managed and sponsored by Lehman Brothers, which serves as the fund's Investment Adviser.

On Sept. 30, the fund's common stock portfolio of 118 issues in 18 industry groups was valued at $155.8 million.

The most important common stock holdings of the fund by industries were disclosed as: Public Utilities 9.5%; Oil and gas 7.8%; Steels 6.4%; Chemicals 6.2%; Building and Construction 3.5%; and Pharmaceutical Products 3.2%.

The largest individual common stock investments at market value were in: International Business Machines Corporation, $4,896,000; International Nickel Company, $4,225,000; du Pont, $2,966,000; U.S. Steel Corporation, $2,786,000; Continental Can Company, $2,587,000; Charles Pfizer & Company, $2,557,000; Eastman Kodak Company, $2,552,000.

"The program of building our common stock portfolio is continuing," Mr. Richardson said in his letter to stockholders. "We have sought to acquire and intend to acquire in the months and years ahead those issues which we believe have good possibilities of achieving long-term capital growth and reasonable current income."

After pointing out that initially the bulk of the fund's assets was placed temporarily in highly liquid short-term government and corporate short-term obligations, with relatively low yields, Mr. Richardson said: "These holdings have been reduced as opportunities have arisen to purchase appropriate common stocks at prices considered satisfactory. It is reasonable to expect that earnings of the fund will be at a higher rate in subsequent periods, reflecting our increased ownership of common stocks."

As of Sept. 30, the fund's holdings of U. S. Treasury Bills and other cash equivalent items had a value of $53.5 million, or 21% of assets; short and medium term U. S. Government obligations with a market value of $35 million represented 14% of assets; and other senior securities including preferred stocks, were 3% of assets.

"National" Views Business Now at Near Peak Levels

Business activity is currently within range of record gross national product levels and, "Appears to be heading higher," National Securities & Research Corp. declared in a special fourth quarter report prepared by the sponsors and managers of the National Securities Series of mutual funds with assets exceeding $380 million.

With business ending the year on a strong note, National feels that while the stock market may experience intermediate reactions from time to time, "At current levels it has not yet fully discounted the economic growth that lies ahead." Profit margins are seen benefiting as many industries find production and revenues rising faster than costs. The investment company attributes this to efficient machinery installed in recent years and adds, "It is not surprising that outlays for such equipment are now scheduled to rise again."

Another healthy sign has been rising productivity. "Although employment in manufacturing industries has risen less than 2% from the 1958 low, factory output —owing to increased productivity —is up over 10% according to our estimates," the report notes.

National believes that experience of the past year has demonstrated that many modern plants can operate profitably over a broad range of output rates. With higher operating rates now in prospect, it expects sharply rising profits in such industries as steel, autos, chemicals, machinery, electrical equipment and the railroads.

With the background of a Federal deficit for the current fiscal year projected at $13.7 billion on

cash basis, National feels, "Fears of inflation are not entirely groundless." Federal Reserve authorities are not expected to apply the brakes of credit restraint as firmly as they did in 1957, but neither does National look for them to give the bond market the kind of support it will need to digest satisfactorily the indicated large flow of new public and private offerings."

The growing conviction among many investors and such institutional buyers as pension and profit-sharing funds, mutual funds, trust funds and college endowment funds that common stocks represent a more rewarding medium for long-term investment than bonds, the unwillingness of corporations to finance through stock offerings and the reluctance of many investors to sell their common stocks for "well-known tax reasons" are cited as major sources of strength in the stock market and are expected to continue.

Lehman Corp.'s Assets Soar to $259 Million Level

Total net assets of $258,862,000, the highest in The Lehman Corporation's 29-year history, were reported by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, in the corporation's report for the nine months ended Sept. 30, 1958. This was equal to $26.26 per share, as compared with a net asset value of $23.69 per share at the end of the previous quarter and $20.76 per share at the end of 1957.

During the quarter, the corporation issued an additional 272,115 shares of its own capital stock in exchange for the net assets of Wecaf Holding Co., Inc., which consisted of cash, corporate bonds, commercial paper and U. S. Government obligations. As a result of this transaction, the corporation acquired assets with a market value of $7,179,336 on Aug. 20, 1958 in exchange for shares of its capital stock, which taken at net asset value on the same date, amounted to $6,837,460.

Common stocks purchased exceeded sales during the quarter by $1,567,205, the cost of such purchases amounting to $6,062,782, while $4,495,577 was received on common stock sales. At the end of the quarter common stocks in the corporation's portfolio had a value of $237,909,885 or 91.6% of net assets as compared to $210,973,339 or 92.6% of net assets three months earlier.

The report shows new additions to portfolio of General Portland Cement; Gerber Products; Federal Paper Board; General American Transportation; Sunbeam Corp.; Thatcher Glass; and Houston Corporation Depositary Units for class A stock. Other purchases included shares of Union Carbide; British Columbia Forest Products; Mead Corp.; Powell River Co.; Weyerhaeuser Timber; Eastern Industries; Gustin-Bacon; and Arizona Public Service.

Among the sales were shares of Addressograph-Multigraph; Amerada Petroleum; Humble Oil; Kerr-McGee; Monterey; Schering; Searle; Electric Bond and Share; General Public Utilities; Portland Gas and Coke; West Penn Electric; and Trans Mountain Oil Pipe Line.

Now With Scherck, Richter

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Robert A. Waddell is now with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange. Mr. Waddell was formerly with Stifel, Nicolaus & Co., Incorporated for many years.

Group Securities Cites Increases In Sales and Assets

Investor purchases of Group Securities in September totaled $3,462,394, according to John L. Ahbe, Vice President and Director of Sales for Distributors Group, Inc., the Fund's national sponsor.

Mr. Ahbe indicated that this was quite a substantial rise in sales by noting that in September a year ago sales totaled less than $1,500,000.

Total assets of Group Securities also show substantial improvement for the year, as indicated by the following figures:

	Total Assets
September 30, 1958	$135,615,556
September 30, 1957	96,068,735
Increase	$39,546,821

Keystone's K-1 Fd. On Quarterly Basis

Keystone Income Fund K-1, the purely income member of Keystone Custodian Fund's $370-million 10-fund family, will go on a quarterly dividend basis starting in November, President S. L. Sholley reveals to a record number of 23,330 shareholders in the Fund's annual report. Like all other Keystone Funds, K-1 hitherto has paid dividends semi-annually.

Commenting on the change, Mr. Sholley says, "Since this is a diversified and managed income fund and accordingly is suitable for holding as a single 'income package,' we felt investors seeking current income would welcome a quarterly dividend schedule."

The other Keystone funds will remain on a semiannual dividend basis. Inasmuch as their fiscal years vary, different combinations of the funds produce quarterly or even monthly distributions, and an investor can set up his own program depending upon his particular investment objectives.

Despite the recent recession during which many companies shaved dividends, Keystone Income Fund made a 24-cent distribution from net investment income for the fifth consecutive semiannual period. The total of 48 cents for the fiscal year was the same as that for last year, both the highest since 1948. Adding back special distributions from capital gains, net asset value per share has increased 39% in the last 15 years, the report points out.

At the end of the fiscal year on August 31, Keystone Income Fund had reached a series of new highs: total asset value of $51,592,337, up 13% for the year; total number of shares 6,037,927, up 8%, and number of shareholders, 23,330, up 2%.

Net asset value per share at year's end was $8.54, up 4% from a year ago and 10% in the last six months. In the month since the close of the fiscal year it advanced another 3% to $8.78 on October 1.

At the end of the fiscal year, the fund portfolio consisted of 75 issues: 15 bonds, 29 preferred stocks and 31 income-type common stocks.

Major additions during the second half of the fiscal year were 23,800 shares of Central Aguirre Sugar, 20,000 Bethlehem Steel, 20,000 Southern Pacific Company and 10,000 Gillette Company. Among major eliminations were Allied Products, American Radiator, Niagara Mohawk Power Corp., and Penick & Ford, Ltd.

Now With Reynolds Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John G. Carter is now affiliated with Reynolds & Co., 629 Second Avenue, South. He was formerly an officer of Craig-Hallum, Inc.

Wellington Fund Continues to Set New Sales Records

Wellington Fund sales for the month of September, 1958, again established a new all-time record for that month, according to A. J. Wilkins, Vice-President.

September sales amounted to over $9 million, the highest for any September period in the 30 year history of the Wellington Fund, and an increase of over 45% compared with the previous year. The comparable September figures are as follows:

September 1958	$9,605,000
September 1957	$6,522,328
Increase	$3,082,672

This continues the trend of record sales totals during the period since Jan. 1, 1958. The comparable nine-month figures, showing a 21% increase over 1957 sales for the same period, are as follows:

Nine months 1958	$85,365,752
Nine months 1957	$70,240,911
Increase	$15,124,841

The total assets of the Wellington Fund on Sept. 30, 1958, were $777,419,514.

Managed Funds to Maintain Voluntary Minimums

Despite the accelerating trend toward raising investment minimums of mutual fund voluntary plans, Managed Funds, Inc. will continue the present low requirements for participation in its Monthly Investment Plan.

According to Hilton H. Slayton, President of the $64 million mutual fund group, Managed Funds voluntary plan minimums of $100 on initial investments and $25 on subsequent ones having always been among the fund industry's lowest.

Until recently, most fund voluntary plans required at least $250 to start and $25 thereafter. But an increasing number are now up to $500 and $50, with some requiring minimum annual totals as well.

"I can understand the reason for this trend," Slayton said. "The costs to the funds and their custodian banks of handling individual transactions have grown steadily higher.

"Our costs have gone up too. But the fact is that more and more of our planholders are making initial and subsequent investments that are considerably above our established minimums.

"This is due largely to the fact that the shareholder is putting heavier stress on his own investment needs instead of considering our investment minimums. He realizes that it is far more realistic to match the size of his investments to his personal investment goals than to any required minimums.

"These larger initial and subsequent investments enable us to continue offering the advantages of fund investing without the need to raise minimums or pass along increased handling costs," Slayton said.

Record High Assets For Chemical Fund

Chemical Fund, Inc. reported Oct. 15 the largest quarter-end assets in its 20-year history. Net assets totaled $176,521,037 on Sept. 30, an increase of $40 million over the $136,271,014 reported 12 months ago, according to the fund's 81st quarterly report.

Net asset value per share also established a new all-time high of $18.61 per share at quarter-end. When adjusted for paid-out securities profits, the Sept. 30, 1958 net asset value per share was equivalent to $19.17 per share compared with $15.72 per share a year ago—an increase of 22% in the past 12 months. By comparison, the Dow-Jones Industrial Average increased 17% during the same period.

Commenting on the outlook for the chemical and allied industries, F. Eberstadt, Chairman, and Francis S. Williams, President, reported that "sales of chemicals turned upward in the second quarter of 1958. The improvement has continued during the third quarter. A recent survey forecasts an increase of approximately 5% in sales for the second half of 1958, compared with the first half of this year. This would result in estimated sales for the full year 1958 nearly equal to the record volume of $23.4 billion reported for 1957."

"The larger volume anticipated for the second half of 1958 and for the year 1959 should bring about an improvement in earnings. While labor and material costs continue to rise, the higher costs appear substantially offset by economies initiated earlier this year, and by continued improvements to processes and operations."

During the first nine months of 1958, new sales of Chemical Fund shares to the investing public totaled $12,805,631, an increase of 14% over the $11,257,189 reported for the same period last year.

Chemical Fund, Inc., a mutual fund founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in various industries whose growth is based on chemical research and development.

Diversified Sets New Records in Assets and Holders

Diversified Investment Fund, Inc. a balanced mutual fund, reported new highs in total net assets and number of shareholders on Aug. 31, end of the fund's fiscal third quarter.

On that date, net asset value per share was $8.56, compared with $7.48 on Nov. 30, 1957, end of the last fiscal year.

According to a spokesman for the fund, total net assets rose to a record $69,549,592, compared with $58,185,498 at the 1957 fiscal year-end. The number of shareholders increased from 19,083 to 19,549 during the same nine-month period.

On Aug. 31, 69.6% of the fund's total net assets were invested in common stocks, 17.2% in bonds and 11.2% in preferred stocks. Cash accounted for 2.0% of the total.

Oil, and gas, steel, paper and container, automotive and public utility issues now represent 51.6% of the investments in the common stock section of the fund's portfolio.

New additions to the portfolio were made in Arizona Public Service Co., $2.40; Boston Edison 4⅞%; Dresser Industries, Ohio Oil and Standard Oil Co. of California. Increases in common were made in Parke, Davis & Co; Rayonier; Timken Roller Bearing Co. and United Aircraft Corporation.

Eliminated from the fund's holdings were Gulf, Moblie & Ohio RR. Co. $5 preferred; Combustion Engineering; Louisville & Nashville RR.; McKesson & Robbins; Seaboard Air Line RR. and Simmons Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Oratorical guns are booming with stepped up rapidity all over the Nation in the closing weeks of the general election campaign. Candidates for the Governorship, United States Senate and the House of Representatives are in a verbal slugging game.

Report after report reaching Washington tell of apathy on the part of voters in this state and that state. But the facts apparently do not necessarily bear these reports out. Why? Because there is a record registration in practically every state.

The big question everywhere is: What is going to happen? The answer appears to be the Democrats are in the driver's seat, but how strong, no one knows at this time.

For the first time Alaska will elect two United States Senators and one member of the House. Thus, when Congress reconvenes on Jan. 7 to launch the 86th Congress there will be 98 Senators (now 96 seats) and 436 House seats or one additional.

The Senate lineup at present is 49 Democrats and 47 Republicans in the Senate, and 235 Democrats and 200 Republicans in the House. Thirteen Democratic seats are at stake in the Senate and 21 seats now being held by Republicans are to be filled.

It is obvious that the Republicans have a great uphill fight for control of either the Senate or the House. It would be the political upset of modern times if the Republicans should gain control of Congress.

Eyes on Gubernatorial Races

There are several gubernatorial campaigns that will be watched closely, not only by Washington, but the whole nation. The Nation's Capital will be watching with marked interest the New York Governorship outcome between Governor Averell Harriman, the Democrat, and Nelson A. Rockefeller, the 50-year-old Republican.

Perhaps the California Governorship race from the national standpoint will stand out above all others. Senator William F. Knowland, 50-year-old Senate Republican leader, a conservative and regarded by many as presidential timber, is seeking the California Governorship in a slam-bang race with State Attorney General Edmund G. "Pat" Brown, 50.

The right-to-work law is an issue in California as it is in Ohio, Colorado, Idaho, Kansas and Washington. Knowland is on the side of right-to-work. As a result the powerful unions all over the country say that Knowland stands for "union busting." They are making a concerted effort to end his political career Nov. 4. Reports are labor is spending tremendous sums of money to elect Brown, and their chances are favorable.

Governor Goodwin Knight of California, anxious to succeed Senator Knowland, is playing footsie with labor. Knight, obviously afraid of labor, has indicated he might not vote for Knowland. Said Knight: "When he injected a right-to-work issue in this campaign, he forfeited any right of loyalty to him. I'm under no obligation, moral or legal to support him. I expect to vote for the best man for California and I haven't always voted straight Republican."

Thus, it is apparent that the California elections are extremely important. The way that things stand now, labor probably will have more pro-labor members of Congress in the 86th Congress than it had in the 85th Congress.

Struggle in West Virginia

From a numerical standpoint, the Mountain State of West Virginia is an important one in the Senate race. Because of circumstances, West Virginia is electing two United States Senators. Both incumbents are Republicans.

Senator Chapman Revercomb, 63, is running for reelection and the full six-year term, and his opponent is Representative Robert C. Byrd, 40, a Democrat. The short-term seat of two years to fill the vacancy created by the late Senator Matthew W. Neely, is being sought by John D. Hoblitzell, Jr., 46, a Republican, and former Representative Jennings Randolph, 56.

The Democrats have already had former President Harry S. Truman stumping in West Virginia, and Vice-President Richard M. Nixon is preparing to make a speech at Huntington, the state's largest city on the Ohio River. Mr. Truman spoke also at Huntington last month.

Other Projections

Out in Ohio Senator John W. Bricker, the Republican, appears to be in no trouble from his Democrat opponent, Stephen M. Young. However, the picture is different in Michigan, where Walter Reuther and the other labor leaders have got control.

Senator Charles E. Potter, the young Republican, who served with credit during the past six years, is in a peck of trouble. Labor is backing Philip A. Hart, the Michigan Lieutenant Governor, a Democrat. Of course, labor is also sending Governor G. Mennen Williams back for another term. Williams is opposed by a Michigan State University professor, Paul D. Bagwell.

Reports are that Indiana is likely to send to Washington Harold W. Handley, 48, the incumbent Republican Governor, to succeed William E. Jenner, 56, who is retiring from the Senate. Handley's opponent is Mayor Vance Hartke of Evansville. Politicians in Massachusetts generally agree that Senator John F. Kennedy, the wealthy young Democrat, will have no trouble coming back to the Senate, which he hopes will help send him to the White House. He is opposed in his reelection bid by Vincent J. Celeste, a Boston lawyer.

Virginia, the Old Dominion State, and the birth place of eight United States Presidents, appears certain to return Senator Harry F. Byrd, The 71-year-old Berryville apple grower, whose conservative views, particularly over the reckless spending, is a great influence in the Senate. Perhaps the Treasury of the United States would have much greater deficit if the distinguished Southerner was not a member of the Senate His opponent is a woman doctor, Louise O. Wensel, whose husband is a Federal Government employe in Washington, D. C.

Unions and Goldwater

Perhaps the most outspoken critic of compulsory unionism in the United States Congress has been Senator Barry Goldwater, 49, of Arizona. He has also lashed out in no-holds-barred language against big shot union leaders. Because of his actions, Senator Goldwater is *personna non grata* to the union leaders. They are just as anxious to put him on the political scrap pile as retiring Senator Knowland. Opposing Mr. Goldwater, a Republican, is Governor Ernest W. McFarland, former Senator.

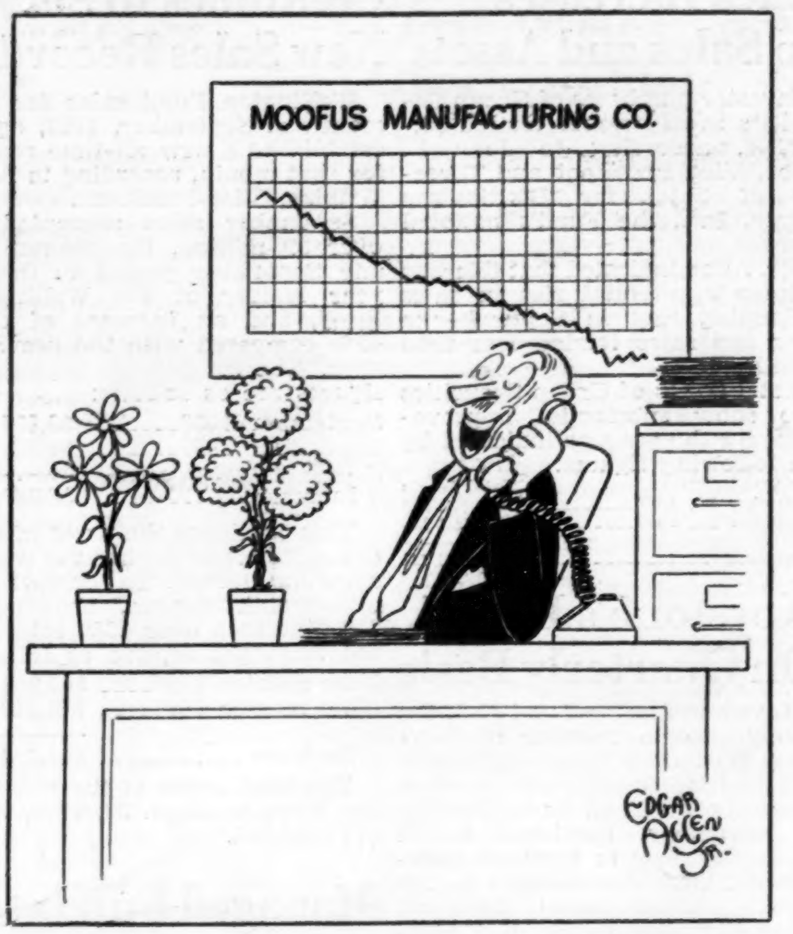
Some qualified observers returning from a tour of the Mountain States say the Arizona senatorial race "could go either way."

Liberal Governor George M. Leader, a Democrat, is contesting with Representative Hugh Scott, veteran Republican leader, for the Pennsylvania Senate seat being vacated by retiring Senator Edward Martin, Republican. At this time some of the old time political people in Harrisburg, the capital, say Governor Leader seems to have the edge. Pittsburg's longtime Democratic Mayor, David L. Lawrence, 69, and a pretzel manufacturer, Arthur T. McGonigle, 52, a Republican from Reading are fighting it out to succeed Mr. Leader.

The last time New Jersey elected a Democratic United States Senator was in 1936, and former Representative Harrison A. Williams, 38, is seeking to turn the tide against Republican Representative Robert W. Kean, 65. Some politicians contend that most anything can and probably will happen in New Jersey. In the state there are five Democrats in the House of Representatives in Washington, and nine Republicans. The New Jersey outcome could have a bearing on the 1960 Presidential conventions, and the election.

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" owns views.*]

BUSINESS BUZZ



"You needn't hesitate to buy into this firm, J. C.,—just purchased two new plants this week!"

Business Man's Bookshelf

Freeman, October, 1958 — With Articles on Barriers to World Commerce; What's Bad About Labor Laws?; Administrative Agency Colossus; Debts and Taxes; etc. — Foundation for Economic Education, Irvington-on-Hudson, N. Y. (single copies), 50c.

Gas Data Book — Excerpts From "Gas Facts" — A condensed review of basic gas industry statistics — Bureau of Statistics, American Gas Association, 420 Lexington Avenue, New York 17, N. Y. (paper), 50 cents per copy.

Magazine Circulation and Rate Trends—Association of National Advertisers, Inc., 155 East 44th Street, New York 17, N. Y., $15.

Manpower Needs and Employment Opportunities: Employment Outlook for Technicians, 25c; Job Guide for Young Workers, 40c; Employment Opportunities for Women in Legal Work, 20c; Earnings and Employment Conditions of Nurses and Other Hospital Personnel, 15c—U. S. Department of Labor, 341 Ninth Avenue, New York 1, New York.

Mutual Security Program—J. H. Smith, Jr.—U. S. Department of State Washington, D. C. (paper).

Nato and the Future of Europe—Ben T. Moore—Council for Foreign Relations, Inc., 58 East 68th Street, New York 21, N. Y., $4.50.

New York City Community Wage Survey — Wages and Working Conditions for 61 Office and Plant Occupations in Manufacturing and Non-manufacturing industries—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., 25 cents.

Recent Changes in the Money Market—I. I. F. Bulletin—Institute of International Finance, 90 Trinity Place, New York 6, New York.

Schools for Commercial Bank Personnel — Leo Fishman and Betty G. Fishman—Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).

Suburban and Central City Building in Metropolitan Areas, 1957 —U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Technical Analysis of Stock Trends —Robert D. Edwards and John Magee, Jr.—Published by John Magee, Springfield, Mass. — cloth—$12.

Ten Pointers for Careful Buying—New York State Department of Law, 80 Centre Street, New York 13, N. Y., (paper).

Unclosed Tax Loopholes Outlined — J. K. Lasser Tax Report — Business Reports, Inc., Larchmont, N. Y.—on request.

Understanding the Antitrust Laws —Jerrold G. Van Cise—Practising Law Institute(20 Vesey St. New York 7, N. Y.—$2.50.

U. S. Information Agency's Report to Congress—U. S. Information Agency, Washington 25, D. C. (paper).

What Is Foreign Aid?—A series of articles reprinted from The Arizona Republic and the Indianapolis Star — Arizona Republic, 120 East Van Buren Phoenix, Ariz. (paper).

Will My Baby Be Born Normal? — Joan Gould — Public Affairs Committee, 22 East 38th Street New York 16, N. Y.—paper—25c.